BBVA

Creating Opportunities

Annual Report 2022

Annual Report 2022

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Letters from the Chair and the CEO

VIEW VIDEO

Letter from the Chair

CARLOS TORRES VILA

Dear shareholders,

2022 was a year of significant geopolitical and economic challenges, but the strength of BBVA and all of its franchises, the effort and dedication of our team, together with our leadership in strategic areas such as innovation and sustainability, have allowed us to **grow in a profitable and sustainable manner, contributing to the economic and social growth of the communities where we have a presence.**

NEW CUSTOMERS

+11M

We added over 11 million new customers worldwide. Our rate of growth increases every year. The pace at which we acquire new customers has more than doubled from five years ago. This enormous progression is due to the fact that we were pioneers, and made a decisive commitment to digitization. Currently, 55 percent of new customers join the bank through digital channels.

Furthermore, we are increasingly using **new technologies and data so our customers can make better decisions, and thus improve their financial health. Our clients are increasingly satisfied** with our service, as evidenced by the net promoter score (NPS), which grew five percentage points over the past year, placing us as a leader in our footprint.

Today we serve almost 70 million customers, contributing with our main activity, granting credit, to meet their personal, family and business needs, while supporting their economic growth and the development of more prosperous and inclusive communities.

CREDIT GRANTED

+13%

In 2022, **we increased the amount of credit granted by 13 percent**, helping more than 100,000 families to purchase their home and financing the growth of almost half a million SMEs and the self-employed, and more than 70,000 larger companies, thereby promoting job creation. Moreover, **we mobilized over €9 billion to finance inclusive growth initiatives,** including infrastructure, social mortgages and insurance policies. We have also supported vulnerable entrepreneurs with microcredits through programs like those of the BBVA Microfinance Foundation.

COMMITMENT TO THE COMMUNITY

€550M

We amplify the impact with **our Community Commitment**, which we announced in 2021, by which we will devote **€550 million to social initiatives by 2025**, together with our foundations. By the end of 2022, we had already surpassed €230 million, 43 percent of the total, benefiting more than 62 million people.

NET ATTRIBUTABLE PROFIT

€6,420M

In addition to these achievements and the positive impact on the communities where we develop our business, our pioneering strategy is also generating good financial results: We posted a **net attributable profit of €6.42 billion**, mainly driven by Mexico, the country that contributes the most to the bank's results. It is also important to note that Spain is starting to return to 2010 levels, thanks to the normalization of interest rates and activity growth, following years of deleveraging, as well as the improvement in efficiency and credit quality.

We continued to create value for our shareholders. The return on tangible equity (ROTE) stood at 15.3 percent, and growth in tangible book value per share plus dividends paid was nearly 20 percent for the year.

DISTRIBUTION TO SHAREHOLDERS: MORE THAN

€3Bn

These solid results allow us **to distribute more than €3 billion, almost half of the profit, to our 800,000 shareholders**, most of them small savers. We are proposing to the Annual General Meeting the distribution of a cash dividend of 31 euro cents per share, in addition to the 12 euros cents paid last October, as well as a new €422 million share buyback program.

Thanks to these results, we can also reinvest in the business, so we can continue to grow our customer franchise, reaching more people and businesses, improving service, extending credit and fostering decarbonization.

At BBVA, we are convinced that there are many opportunities in the current environment, despite the challenges that remain in 2023. The context of uncertainty will continue, both from a geopolitical standpoint as a result of the invasion of Ukraine, and from a financial standpoint due to inflation and the second-round effects, which could lead to additional interest rate hikes. Nevertheless, recent data, better than expected, seems to indicate that the economic outlook and growth will improve in 2023, as some of the uncertainties start to dissipate, with growth in practically all countries where we have a presence.

Beyond the more immediate context, major trends like innovation and sustainability will continue to transform the economy and our societies. For this reason, **BBVA's anticipation and vision, and our strategic priorities give us a significant competitive advantage.**

THE CREATION OF BBVA SPARK IN 2022 ALSO STANDS OUT

Innovation is a key factor in BBVA's profitable growth strategy. One example of this is the bank's **firm commitment to digital banking solutions to grow in new and attractive markets**, like the digital neobanks. At the end of 2021, we launched BBVA Italy, which already has 160,000 customers, exceeding our initial expectations. The creation of BBVA Spark in 2022 also stands out, offering a comprehensive package of financial services to accompany the innovative companies that are shaping the future throughout their different stages of growth. Furthermore, investment in venture capital allows us to know firsthand about new technologies and generate business for the future.

Just as we were leaders in taking advantage of the huge transformation brought about by digitization and innovation, we have another enormous opportunity before us: **sustainability, the other pillar of our strategy**.

As I have mentioned on previous occasions, the decarbonization of the economy represents the greatest disruption in history, not only due to the magnitude of the challenge, which requires colossal investments through 2050, but due to how urgently it must be addressed.

It is an enormous challenge that will bring change to practically all of our habits and behaviors, affecting all companies and industries, which will be profoundly transformed by the process.

Therefore, at BBVA, we have been taking steps in this direction for some time now. As a founding member of the Net Zero Banking Alliance, **we made the commitment to be neutral in carbon emissions by 2050**. We have been carbon neutral in terms of our own emissions for two years now, and we aspire to also be carbon neutral including the emissions of our customers and suppliers.

Our priority is to help our clients in their decarbonization transition, supporting them with advice and financing.

WE TRIPLED OUR INITIAL SUSTAINABLE FINANCE GOAL TO

€300Bn

Sustainability is already translating into business, and is currently a key pillar of growth for the Group. In 2022, we channeled €50 billion of sustainable financing. This new business is growing so quickly that we tripled our initial sustainable finance goal to €300 billion for the period 2018-2025. All of this has made us **the top ranked European bank in the Dow Jones Sustainability Index for the third consecutive year**.

CLOSER TO 2024 OBJECTIVES

It has definitely been a great year for BBVA. One that has allowed us to make decisive progress in our strategy and to get closer to meeting the 2024 objectives we announced at the Investor Day.

Without a doubt, all of this was made possible thanks to the people who make up BBVA, with their professionalism, effort, dedication and commitment to our values: 'the customer comes first,' 'we think big' and 'we are one team.'

I would especially like to recognize the team for stepping up to help those affected by the earthquakes in Turkey, and those of you who are helping to alleviate this terrible situation with your contributions.

In conclusion, I cannot end this letter without thanking you once again for your trust over the past year. **With your support, we will continue to accompany families and businesses in 2023, boosting growth to create a more sustainable and inclusive society.**

Carlos Torres Vila
Chair

Letter from the Chief Executive Officer

ONUR GENÇ

Dear shareholders,

NET ATTRIBUTABLE PROFIT

€6,420M

Despite the uncertainty that characterized 2022, BBVA made enormous progress in its strategy for profitable growth, based on digitization, innovation and sustainability.

The BBVA Group's net attributable profit for 2022 was **€6.42 billion**, which represents an increase of 38 percent from a year earlier. This growth was mainly driven by a **solid increase in revenues, an ongoing cost containment policy and greater asset quality**.

Gross income, or the sum of the main revenue lines from the banking business, ended the year with 22.9 percent growth year-on-year at constant exchange rates (in other words, without taking into account the impact of exchange rates). **The Group's main geographic areas contributed to this increase thanks to credit growth**, which was boosted by the economic recovery and better customer spreads, as a result of an environment with more favorable interest rates.

ROTE

15.3%

This revenue growth, together with keeping expenses at bay, which have grown less than the average inflation rate in the countries where BBVA has a presence, place the efficiency ratio at 43.2 percent. This represents an improvement of 277 basis points over the ratio from the previous year. Therefore, **BBVA remains a leader in efficiency yet another year compared to its European peers.**

Operating income, or the difference between the revenue generated and the costs incurred, reached a record high of €14.13 billion, up 29.2 percent from the previous year, without taking currency fluctuations into account.

COST OF RISK

0.91%

As for risk indicators, the NPL ratio stood at 3.4 percent at the end of the year, improving 70 basis points from the previous year, and the coverage rate rose from 75 percent in December 2021 to 81 percent. The cost of risk stood at 0.91 percent, in line with expectations and below pre-pandemic levels (1.04 percent in 2019).

The BBVA Group remains the leader in profitability metrics among comparable banks in Europe. In 2022, return on tangible equity was 15.3 percent, surpassing our European peers by far, which averaged 7.4 percent, while return on equity was 14.6 percent, excluding non-recurring items in both cases. Value creation for our shareholders is also reflected in the tangible book value per share plus dividends, which reached €7.79, an increase of 19.5 percent over the previous year. Once again, this puts us ahead of our competitors and our ambitious long-term goals.

CET1 fully-loaded

12.61%

These strong results have contributed to our excellent capital position, with a CET1 fully-loaded ratio of 12.61 percent. This is well above the requirement set by the supervisor and the Group's target range.

This year has also allowed us to make significant progress in the goals we set for 2024 at our Investor Day. We remain focused on profitable growth, and on being a unique bank for our customers, based on a value proposition that sets us apart.

Regarding the main business areas, I would like to underscore the following:

Spain

Spain has benefited from GDP growth of 5.5 percent. This has translated into a 1.8 percent increase in the amount of credit granted throughout the year, driven by **greater momentum in the most profitable segments**: corporate and consumer loans. The area's profit rose to €1.68 billion, up 8.4 percent from the previous year.

Mexico

The economic situation in **Mexico**, with GDP growth of 3.1 percent in the year, has **helped to boost activity in all business segments** - both wholesale and retail. This greater momentum in activity resulted in highly significant growth in recurring revenue, which more than compensated for an increase in costs in a high inflation environment. This led to a **net attributable profit of €4.18 billion, up 45 percent from a year ago** at constant exchange rates.

Turkey

In **Turkey**, good business dynamics allowed for a **net attributable profit of €509 million** despite the application of hyperinflationary accounting. These results demonstrate the strength of our franchise in the country amid a complex macroeconomic environment. In this context, it is worth mentioning that all risk indicators performed well.

South America

In **South America**, the positive evolution of the main countries stands out: Argentina, Colombia and Peru, thanks to the **performance of consumer and corporate portfolios and credit cards**. The attributable result for the area rose to €734 million up 80 percent from the previous year at constant exchange rates, with a balanced contribution from the more relevant countries: €238 million from Colombia; €206 million from Peru; and €185 million from Argentina.

In short, BBVA's notable strengths, such as our **leading franchises in attractive markets, our leadership in digitization and sustainability and the best team**, are definitely what made these results possible.

For this reason, I would like to conclude by thanking the more than 115,000 people that are part of the BBVA team. None of this would have been possible without their dedication, hard work and commitment.

Finally, yet another year, I would like to reiterate my appreciation for all of you, our shareholders. Your constant support is fundamental to remain leaders, and it encourages us to give our best each and every day.

Onur Genç
CEO

Management Report

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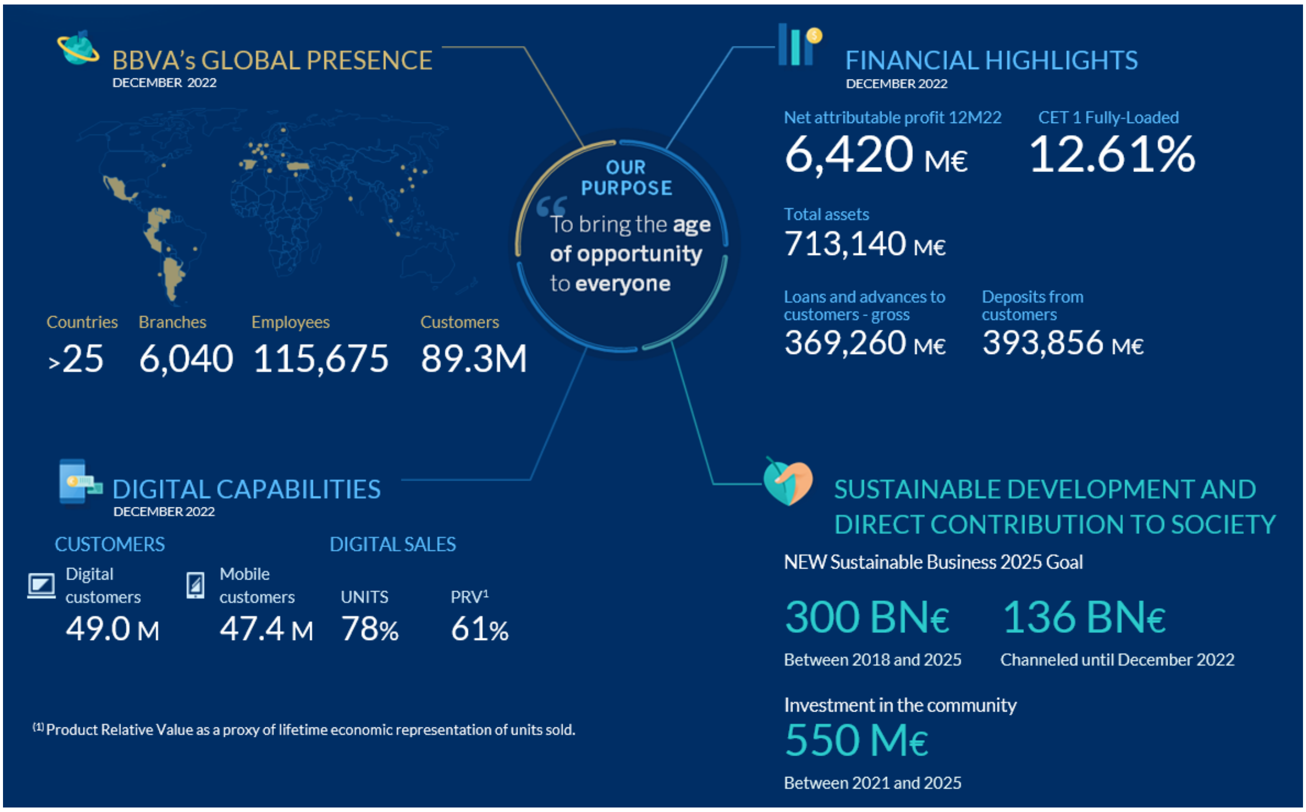
1. BBVA in brief

1.1 Who we are



BBVA is a global financial group founded in 1857 with a customer-focused vision, which currently has more than 89 million customers and more than 115,000 employees. BBVA is present in more than 25 countries, has a leading position in the Spanish market, is the largest financial institution in Mexico and has leading franchises in South America and Turkey.

During its 165-year history, BBVA has stood out for its leadership in the transformation of the financial industry, which is clearly reflected in the Group's Purpose: **"To bring the age of opportunity to everyone"**. BBVA wants to help people, families, entrepreneurs, the self-employed, businessmen, employees and society in general to take advantage of the opportunities provided by innovation and technology.

Leadership in innovation is reflected in BBVA's differential digital capacities. More than 47 million Group customers regularly use the mobile channel to interact with BBVA and 78% of sales are made through digital channels.

Likewise, BBVA offers its customers a unique value proposition, leveraged on technology and data, helping them improve their financial health with personalized information on financial decision-making and, also, helping them in their transition towards a more sustainable future.

BBVA is a pioneer in its commitment to sustainability, a key strategic pillar with a very significant impact on the banking business. The Group wants to accompany its customers with financing, advice and innovative solutions in their transition towards a more sustainable and inclusive world. An example of BBVA's growing commitment is the objective of channeling €300,000m in sustainable financing for the 2018-2025 period. Likewise, BBVA through the Commitment to the Community 2025 and through foundations, €550m will be allocated to social initiatives to support inclusive growth in the countries where it is present.

BBVA's results in 2022 confirm the success of its strategy in an environment of high uncertainty. A net attributable profit (loss) excluding non-recurring impacts of €6,621m[1] that grows by 30.6% compared to the previous year, together with a solid solvency thanks to a fully-loaded CET1 ratio of 12.61%, allow BBVA to continue advancing in the execution of his Purpose.

[1] For more information, see the Alternative Performance Measures at the end of this report.

1.2 Highlights

In 2022, BBVA reported the highest results ever | Recurring Net Attributable Profit **€6,621 Mn**

Excellent core revenues evolution and activity growth

NII + Fees	Lending activity
+30.7%	**+13.3%**
vs. 2021 (constant €)	vs. Dec 2021[1]

1. Variation at constant exchange rates. Excluding repos.

Leading efficiency and profitability

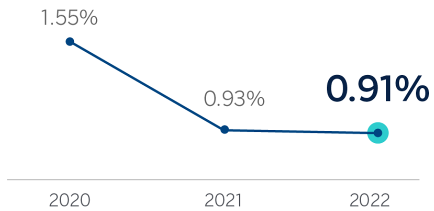
Efficiency Ratio	ROTE (recurring)	ROE (recurring)
43.2%	**15.3%**	**14.6%**

#1 EUROPEAN PEER GROUP RANKING[1]

1. European Peer Group: BARC, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, NWG, SAN, SG, UBS, UCG. Peers data are based on reported figures as of 9M22 annualized. BBVA data as of 12M22.

Solid evolution of the Cost of Risk

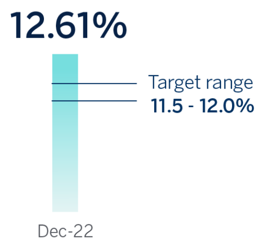
Cost of Risk



2020 and 2021 data excludes the US business sold to PNC.

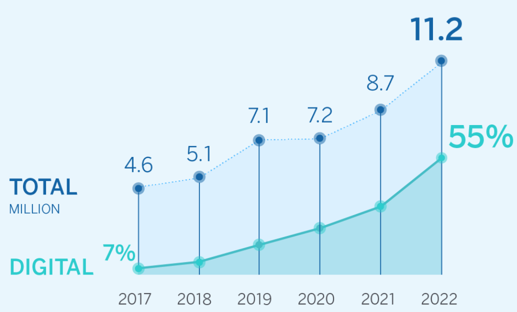
Strong Capital position

CET1 fully-loaded



TRANSFORMATION

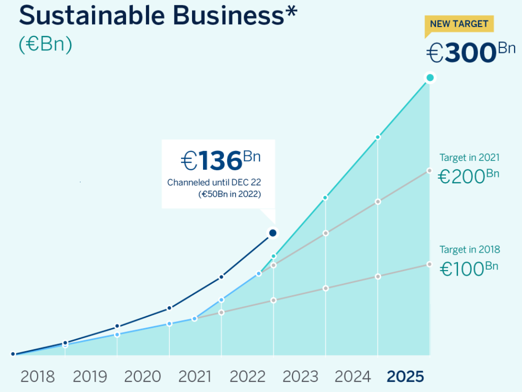
New Customer Acquisition[1]
(Million; % acquisition through digital channels)



1. Gross customer acquisition through own channels for retail segment. Excludes the US business sold to PNC for comparison purposes.

SUSTAINABILITY

Sustainable Business*
(€Bn)



Member of Dow Jones Sustainability Indices | #1 FOR THIRD YEAR IN A ROW EUROPEAN BANKS RANKING

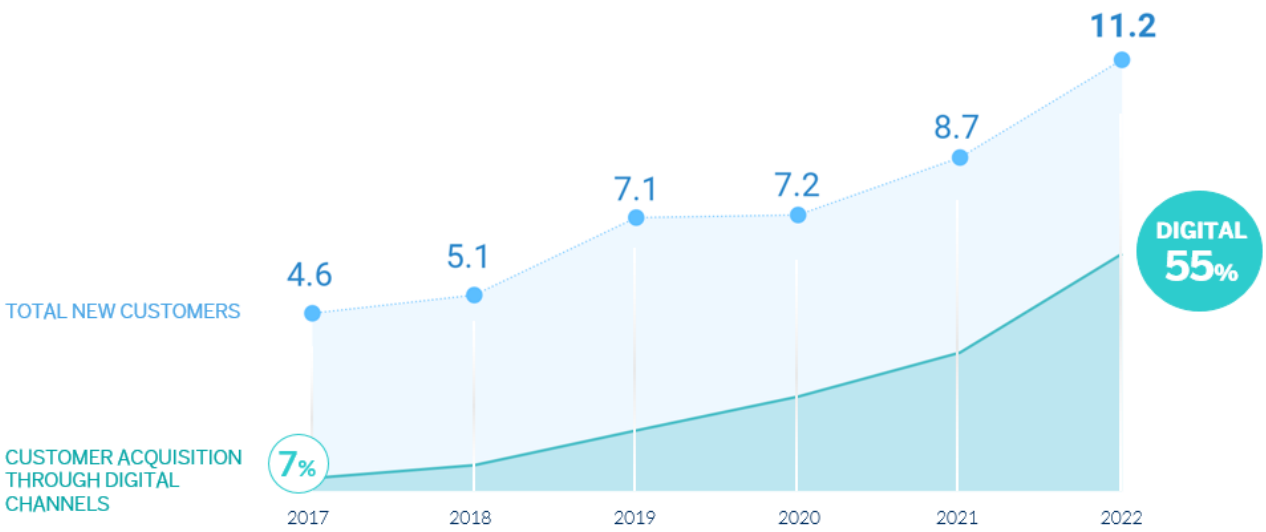
* **Note:** sustainable business channeling is considered to be any mobilization of funds, cumulatively, towards activities or clients considered to be sustainable in accordance with existing regulations, internal and market standards and best practices. The foregoing is understood without prejudice to the fact that said mobilization, both at an initial stage or at a later time, may not be registered on the balance sheet. To determine the funds channeled to sustainable business, internal criteria is used based on both internal and external information.

In 2022, BBVA has made very significant progress in the execution of its strategy focused on profitable growth, at the same time that it has continued to lead the transformation of the banking sector in the field of digitization and sustainability. All this has allowed BBVA to create opportunities for everyone, which is its Purpose, supporting customers, employees, shareholders and society in general.

In 2022 the Group has grown reaching a new record in customer acquisition, adding more than 11 million new customers worldwide. This means that the rate of attracting new customers has more than doubled compared to the one in 2017.

In addition, 55% of these new customers arrive through digital channels, while just five years ago, only 7% did. This is the proof that the bank continues to be at the forefront of innovation.

NEW CUSTOMERS [1] (BBVA GROUP, MILLION; PERCENTAGE OF ACQUISITION THROUGH DIGITAL CHANNELS)

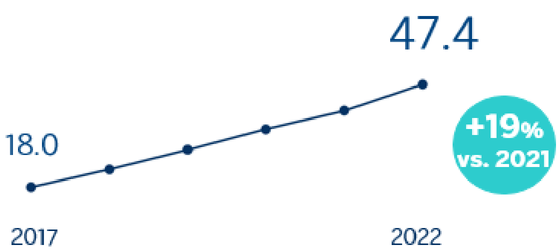


[1] Gross customer acquisition through own channels for retail segment. Excludes the US business sold to PNC for comparison purposes.

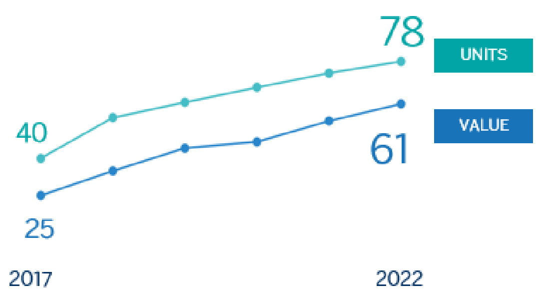
BBVA was the first bank to embark on the path of digitization, which today represents an enormous competitive advantage. Digitization makes it possible to improve efficiency and, above all, provide customers with comfortable, simple and accessible channels so that they can interact with the Bank when and how it suits them best.

Today there are more than 47 million customers who operate with the bank through mobile phones, almost 20% more compared to the previous year. Compared to 2017, the percentage of customers who use their mobile phones to interact with BBVA has gone from 35% to more than 70% in 2022. Similarly, it should be noted that 78% of total sales in Group units are through digital channels, compared to the figure of 40% reached 5 years ago.

MOBILE CUSTOMERS
(BBVA GROUP. MILLION CUSTOMERS)



DIGITAL SALES
(BBVA GROUP, PERCENTAGE, UNITS AND VALUE (PRV[1]))



[1] Product Relative Value as a proxy of lifetime economic representation of units sold.

In addition, BBVA's commitment to data and technology in order to help customers make better decisions about their money and improve their financial health, is now a reality. Customers are increasingly satisfied with the service offered and this is demonstrated by the NPS or Net Promoter Score, which has increased 5 percentage points in the last year.

Beyond digitization, innovation is a key factor in BBVA's profitable growth strategy. An example of this is the firm commitment to digital banking solutions to grow in new and attractive markets, such as digital neobanks. As is the creation of BBVA Spark in 2022, which offers a comprehensive proposal of financial services to accompany innovative companies that are defining the future throughout their different stages of growth. Likewise, investment in venture capital funds is a fundamental part of the Group's strategy to learn about new technologies and generate business and financial profitability.

In the same way that digitization has brought an enormous transformation, the decarbonization of the economy represents the greatest disruption in history and an enormous opportunity. Not only because of the magnitude of the challenge, but also because of the limited time to undertake it. To achieve an emission-free economy, an estimated investment of USD275 trillion is necessary until 2050 or what is the same, more than 8% of world GDP until that date[2]. All companies and industries will be profoundly transformed by this process.

For this reason, BBVA has incorporated sustainability into its day-to-day activities, both in its internal processes and in its relationship with customers. Since 2020 it has been neutral in its own emissions[3] and in 2021 it assumed the 'Net Zero 2050' commitment, as a founding member of the Net Zero Banking Alliance, that is, to be neutral in carbon emissions by 2050, also including those of customers and suppliers.

To this end, it has set intermediate targets to decarbonise its portfolio in six CO_2 intensive industries by 2030 (electricity generation, automotive, steel, cement, coal, and oil and gas).

BBVA's priority is to support its customers, with advice and financing, in the preparation and implementation of their transition plans, which require a large investment. For this reason, sustainable business multiplies exponentially year after year. As of December 31, 2022, the Group has channelled[4] €50bn in the year, making a total of €136bn allocated to sustainable activities[5] since 2018.

Given this rate of growth, in 2022 BBVA has once again raised its goal of channelling sustainable business by 2025 to €300,000m, thus tripling the initial goal of €100,000m that was proposed in 2018.

SUSTAINABLE BUSINESS ANNUAL GROWTH
(BBVA GROUP, CLIMATE CHANGE AND INCLUSIVE GROWTH)

For all these reasons, once again this year, BBVA has obtained the best score in the category of banks in the European region in the latest Dow Jones Sustainability Index, the world reference index in terms of sustainability. The recognition as the most sustainable bank in Europe for the third consecutive year reaffirms the success of the strategy for a greener and more inclusive future.

2 Source: "The net-zero transition: What it would cost, what it could bring", McKinsey & Company, 2022.

3 The direct emissions mentioned include scope 1, 2 and part of scope 3: waste, emissions from business trips and the displacement of employees of central services (see section "2.3.6 Management of direct and indirect impacts" of this report).

4 For the purposes of the 2025 Objective, the channelling of sustainable business of the entities that are part of the BBVA Group as of 12/31/2022 as well as the BBVA Microfinance Foundation is included.

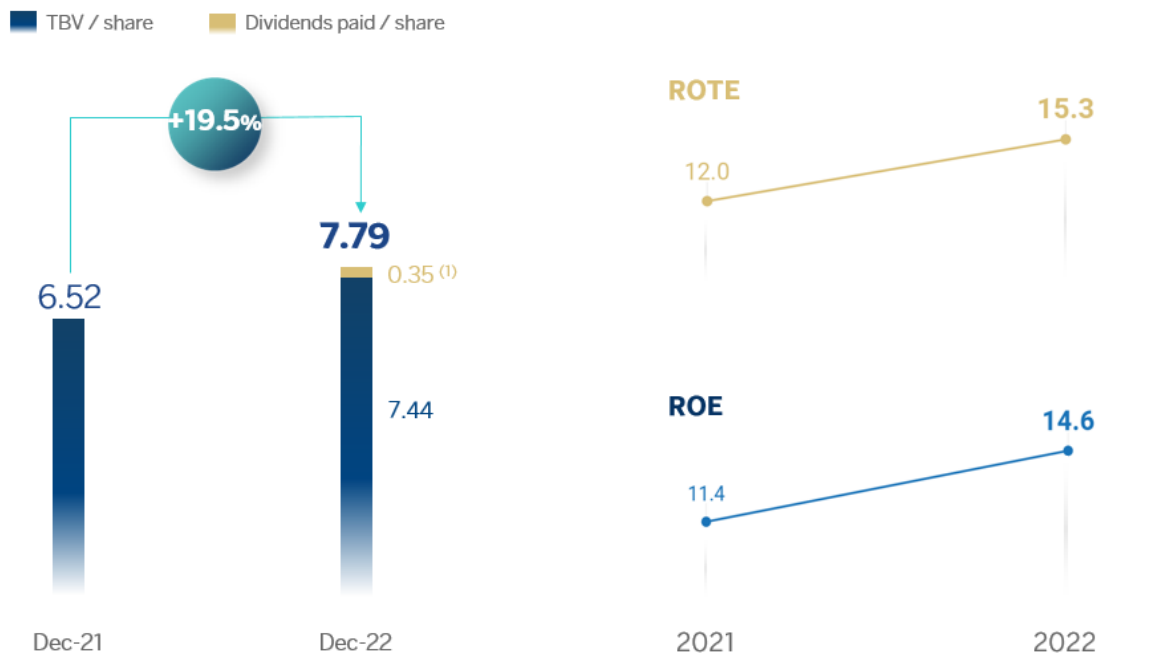
5 For the purposes of the Goal 2025, channelling is considered to be any mobilization of funds, cumulatively, towards activities or clients considered to be sustainable in accordance, fundamentally, with existing regulations, internal standards inspired by existing regulations, market standards such as the Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association and best market practices. The foregoing is understood without prejudice to the fact that said mobilization, both at an initial stage or at a later time, may not be registered on the balance sheet. To determine the funds channelled to sustainable business, internal criteria is used based on both internal and external information, either from public sources, provided by customers or by a third party (mainly data providers and independent experts). BBVA does not assume any responsibility for the opinions expressed by third parties or for any errors or omissions in the information coming from external sources.

This pioneering strategy, based on booming trends such as innovation and sustainability, has allowed BBVA to achieve excellent results in 2022. Recurring profit was €6,621m[6], which represents a record figure and 31% higher than the previous year; and earnings per share growth is 48%, thanks to the share buyback program. In reported terms, the benefit has risen to €6,420m.

In 2022, the bank has promoted profitable growth and value creation for the shareholder, as evidenced by the return on tangible equity or ROTE, which stands at 15% and the growth of tangible book value per share plus dividends paid, which is close to 20% in the year.

TBV + DIVIDENDS
(BBVA GROUP. € / SHARE)

PROFITABILITY METRICS [2]
(BBVA GROUP. PERCENTAGE)



[1] April 2022 dividend per share 0.23 € (gross) and October 2022 dividend per share 0.12 € (gross).
[2] Profitability metrics excluding discontinued operations and non-recurring results.

At the same time, BBVA maintains a solid capital position at the end of the year. The Group's fully-loaded CET1 ratio stood at 12.61% as of December 31, 2022, well above the Group's CET1 regulatory requirement (8.60%) and the Group's target management range established on 11 0.5-12.0% of CET1.

All of this allows BBVA to significantly increase shareholder remuneration, allocating more than €3,000m of these results (47% of the reported attributable profit). This remuneration is consistent with the Group's shareholder remuneration policy, which contemplates distributing annually between 40% and 50% of the profit for the year.

On the one hand, the Bank proposes raising the cash dividend for the year to 43 euro cents gross per share (the highest in 14 years and 39% higher than in 2021). Following the gross 12 euro cents per share paid in October 2022, the bank plans to submit a final dividend of 31 gross euro cents per share for approval by the Shareholders' Meeting, which is expected to be paid in April 2023.

In addition, after having completed in 2022 the execution of one of the largest share buyback programs of European banks, BBVA plans to launch a new share buyback plan worth €422m, subject to the approval of the governing bodies and supervisory authorizations.

All these advances in 2022, position BBVA on the right path to achieve the ambitious goals for 2024 and continue on the path of profitable growth. These advances also allow BBVA to fulfil its Purpose "To bring the age of opportunity to everyone".

In the first place, through the bank's transactional services, with the provision of credit to individuals and businesses, boosting economic activity and supporting short and long term challenges such as digitization and sustainability.

During 2022, the Group has mobilized more than €9bn in inclusive growth, through financing, sustainable infrastructures, social mortgages or social insurance. Additionally, last year BBVA made public its Commitment to the Community, which means allocating, together with foundations, €550m to social initiatives until 2025. At the end of 2022, it has already allocated more than €230m, 43% of the total, which has benefited more than 62 million people.

BBVA works to create opportunities for its customers, shareholders, team, and above all, to achieve a more sustainable and inclusive society that leaves no one behind.

[6] For more information, see the Alternative Performance Measures at the end of this report.

2. Non-financial information report

Pursuant to the Commercial Code and the Capital Companies Law, this consolidated Non-financial information report includes, among other matters: the information needed to understand the performance, results, and position of the Group[7], and the impact of its activity on environmental and social issues, respect for human rights, and the fight against corruption and bribery matters, as well as employee matters.

For the publication of the non-financial key performance indicators, BBVA Group has followed, as an international information framework, the guide of the Global Reporting Initiative (hereinafter, GRI), in accordance with the latest version updated in December 2021, as well as the Communication from the European Commission of July 5, 2017 on Guidelines on the presentation of non-financial reports (Methodology for the presentation of non-financial information, 2017/C 215/01). For greater ease of locating said indicators, in chapter "5.2 Compliance tables" of section "5. Other information", you can see the tables related to compliance with the requirements of Law 11/2018 and the GRI, with reference to each of the sections of this Report of non-financial information where the information is found.

The information included in the consolidated non-financial information report is verified by Ernst & Young Auditores, S. L., in its capacity as independent provider of verification services, with the scope indicated in its Verification Report.

It should be noted that this consolidated "Non-financial information report" includes certain information and metrics that are aligned with those required by other initiatives or international standards with which BBVA Group shows its commitment to transparency in terms of sustainability:

- Principles for Responsible Banking promoted by the United Nations Alliance with the financial sector (hereinafter, UNEP-FI): BBVA publishes the progress and advances achieved in each of the six principles defined by UNEP-FI and the UNEP-FI Guide to setting climate goals for banks (see the chapter “5.2.4 Index of contents of the Principles of Responsible Banking UNEP FI” of the chapter “5.2 Compliance Tables”).
- The Group's contribution to the United Nations Sustainable Development Goals (hereafter, SDGs) for the 2022 and 2021 financial years is included in the chapter “5.2.6 Contribution to the Sustainable Development Goals” of the chapter “5.2 Compliance tables”.
- WEF-IBC metrics: BBVA was one of the first entities worldwide to support the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the World Economic Forum (WEF), assuming the commitment to gradually increase the publication of a set of metrics (core and expanded), published in September 2020.
- Sustainability Accounting Standards Board (SASB) - Commercial Banks, Mortage Finance and Consumer Finance standards: SASB sets standards to guide companies on the disclosure of relevant and consistent information in terms of sustainability that is followed by an increasing number of major institutional investors globally.

The alignment with these initiatives or international standards is detailed in the section "5.2.5 Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards” of the chapter “5.2 Compliance tables”.

[7] In those cases in which the perimeter of entities in the corresponding disclosure does not coincide with the total entities of BBVA Group, the perimeter used will be explicitly indicated. In general, all the breakdowns include the main countries where the Group operates (Spain, Mexico, Turkey, Colombia, Peru and Argentina).

2.1 Strategy

2.1.1 Purpose, strategic priorities and values

In 2022, the world faced an environment marked by uncertainty caused by the growing geopolitical risk, the invasion of Ukraine, strong inflationary tensions and the rise in interest rates, which has put a brake on the growth expected after leaving COVID-19 behind. However, in this environment, the global trends on which BBVA's strategy is based have confirmed its critical role in the transformation of the economy: digitization, innovation and decarbonization.

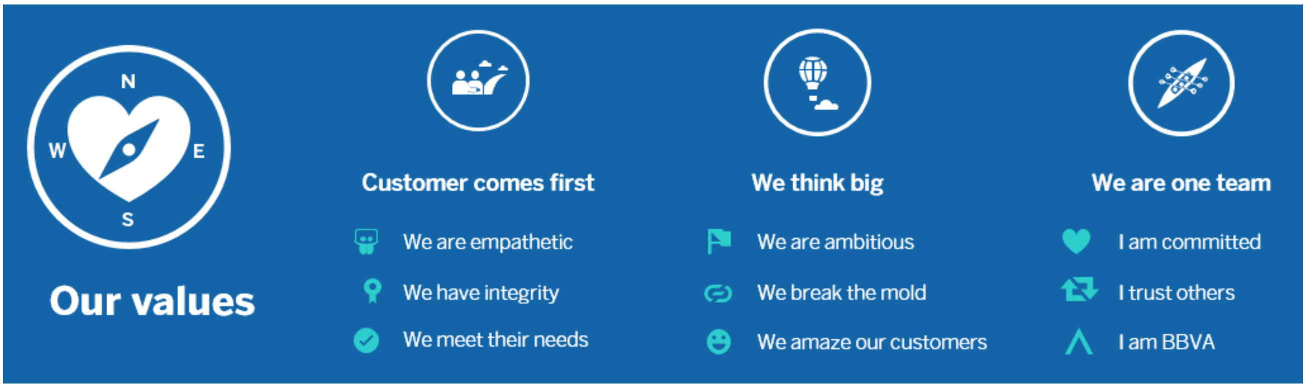
- On the one hand, the end of the pandemic has not slowed down digitization. People's behavior continues to move not only to digital and mobile channels, but also to large value ecosystems offered by the main technology companies with a differentiated customer experience.
- Second, innovation. Although the markets have not been immune to this new environment, with corrections in the valuations of sectors leveraged on innovation, the role of new technologies continues to play a critical function in the transformation of the economy, with a great impact on growth and the productivity. A true era of opportunities thanks to the new possibilities offered by new technologies such as artificial intelligence, quantum computing, cloud processing, blockchain technology, etc.
- Likewise, decarbonization is clearly a differential trend in the current environment and the greatest disruption in history due to its strong impact on the competitive dynamics of many sectors. Innovation plays a key role in the decarbonization process, a challenge that requires strong investments in new carbon-neutral technologies in all sectors, beyond energy. This challenge is of great importance today in a context that has shown that high energy dependence can be a strong vulnerability. Energy independence has become a priority beyond the fight against climate change.

All these trends validate the strategy pursued by BBVA. A strategy that revolves around a single Purpose: “To bring the age of opportunity to everyone”. Thanks to innovation and technology, BBVA seeks to have a positive impact on the lives of people and on the businesses of companies, providing access to products, advice and solutions that allow its customers to make better decisions about their finances and achieve their vital and business purposes.

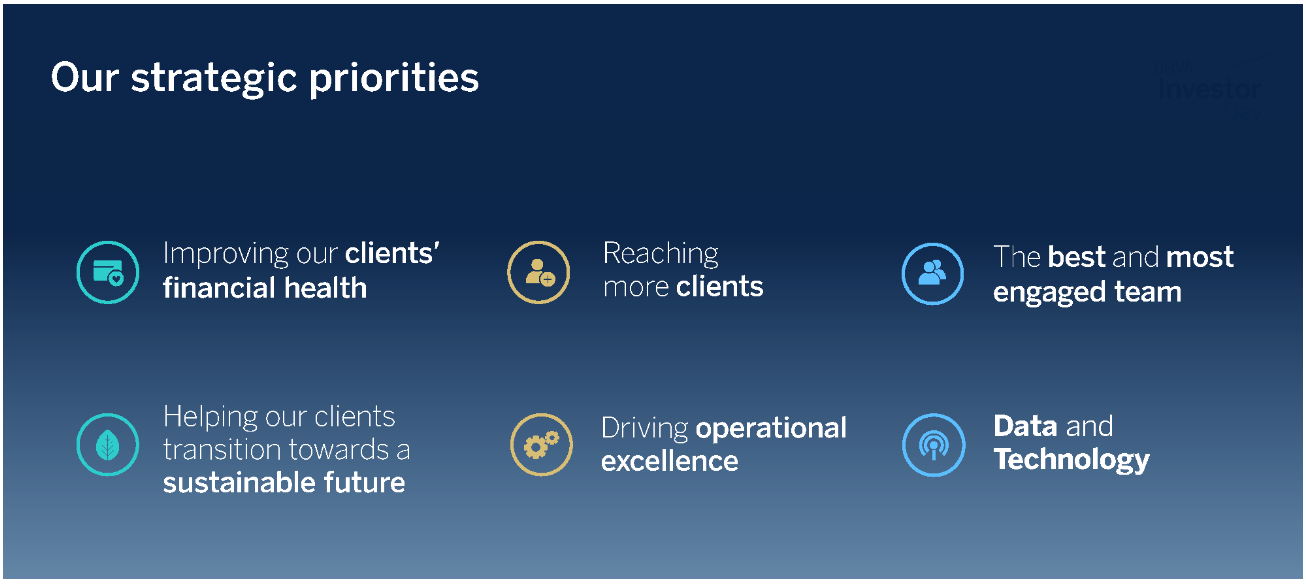
Likewise, the Group is based on solid values: customer comes first, we think big and we are one team.

BBVA's values, and their associated behaviors, are integrated into the models and key levers that promote the Group's transformation, as well as in the global people management processes: from the selection of new employees, through the role assignment processes, evaluation, people development, training; up to the incentive for meeting the annual objectives.

These values, together with the Purpose and strategic priorities, are the guide for action in all decisions and are in the DNA of all the people who are part of the BBVA Group. For more information on values, see section “2.2.3 Employees”, section “Culture and values”, in chapter “2.2 Our stakeholders” of this report.



Guided by this Purpose, BBVA's strategy is structured around six strategic priorities:



1. Improving our customers' financial health

BBVA aspires to be its customer's trusted financial partner, helping them to improve their financial health by offering personalized advice based on technology and the use of data.

Money management is one of the greatest concerns for people. BBVA wants to help its customers improve their financial health in two ways:

- On the one hand, by supporting them in the day-to-day management of their finances, helping them understand and be aware of their income and expenses, management of future needs, capacity to save, etc.
- On the other hand, helping clients to make the best financial decisions to achieve their vital and business goals in the medium and long term through personalized advice.

2. Helping our customers transition toward a sustainable future

Climate change is a challenge that urgently needs to be addressed, but it is also a major business opportunity for the financial sector. The decarbonization of the economy will have an impact on all industries and on the way people move, consume or furnish their homes, requiring significant investments that will last for decades to come.

Additionally, the Bank has an opportunity in the development of inclusive growth. The current environment, with high digitization and use of data, makes it easier to provide an efficient service and with a better understanding of customer behavior. This environment allows the development of new business opportunities that favor inclusive economic development, supporting disadvantaged sectors and inclusive infrastructures, as well as mass banking leveraged on digital channels and new relationship models.

3. Reaching more customers

Scale is increasingly critical in the banking business. BBVA aims to accelerate profitable growth, supporting itself through its own channels and where the customers are (in third-party channels).

In this sense, BBVA has identified the payments, insurance, asset management and cross-border business activities of companies as key drivers of profitable growth, as well as the value segments of SMEs and private banking.

The key role of innovation in the growth of BBVA implies the Group's firm commitment to new business models such as digital neobanks and the creation of BBVA Spark, that offers a comprehensive proposal of financial services to accompany companies innovative in its different phases of growth.

4. Driving operational excellence

BBVA is committed to providing the best experience possible and is transforming its model of customer relations to adapt to changes in customer behavior. To do so, it provides access to its products and services through simple processes. The role of the commercial network is increasingly more focused on transactions of greater added value for customers. Interactions of lower added value are redirected to self-service channels, thus reducing unit costs and increasing productivity.

The transformation of the relational model is accompanied by a change in the operational model, focused on process reengineering in the search for greater automation and improved productivity, as well as speedy delivery to the market of new products and functionalities.

This is not forgetting disciplined management of both financial and non-financial risks and optimized use of capital key factors for consistently achieving a return higher than the cost of capital.

5. The best and most engaged team

The team continues to be a strategic priority for the Group. A diverse and empowered team, with an outstanding culture, guided by the BBVA Purpose and values and driven by a model of talent development which provides growth opportunities for all.

BBVA works to promote the growth and training of the people who make up the Group, who have the necessary skills, knowledge and experience to achieve strategic objectives efficiently and effectively. Also to ensure that employees live the values and behaviors of the Group. People want to be part of companies that are inspired by purpose, with an engaging culture and values that foster diversity, inclusion, equality, social impact, and recognition of work.

6. Data and technology

Data and technology are obvious accelerators to achieve our strategy. The commitment to developing advanced data analysis capacities, together with secure and reliable technology, allows the creation of outstanding high-quality solutions that help create competitive advantages.

The use of data and new technologies also generates the opportunity for increasingly global processes which can be used in the different geographies and are easily scalable, thus reducing the unit cost of the processing.

BBVA continues to make progress in the development of an increasingly robust model of security and privacy (cybersecurity, business processes, fraud and data security).

A set of strategic Key Performance Indicators (KPIs) has been defined to monitor progress in the execution of strategic priorities.

These are both financial indicators linked, for example, to attributable profit, tangible book value per share (TBV) or the cost-to-income ratio, and non-financial indicators, such as those related to customer satisfaction (NPS), mobilization of sustainable financing or digital sales.

These strategic KPIs are integrated into the Group's various management processes, such as the planning and budgeting process, the prioritization of resources and investments, as well as for the purposes of the variable remuneration system.

2.1.2 Our objectives

With the execution of this strategy BBVA aims to:

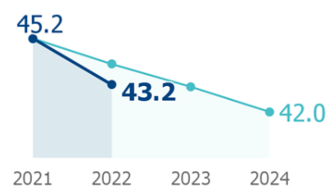
- Become a larger and more profitable bank.
- Become a differential bank for our customers with a unique value proposition.
- Continue to be the leader in efficiency.

In line with the strategic priorities and to monitor closely the level of progress in their execution, BBVA defined ambitious targets over the coming years in terms of efficiency, profitability, creation of shareholder value, customer growth and the channeling of sustainable finance. These objectives were communicated on the Investor Day held on in November 2021.

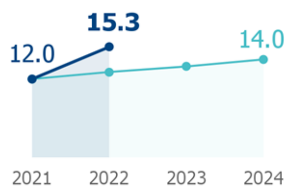
Among these objectives, in October 2022, BBVA again increased the target for channeling sustainable business to €300bn for the period 2018-2025, tripling the initial commitment tripling the initial target set in 2018. This figure is a tangible example of the Bank's commitment to sustainability.

During 2022, BBVA made considerable headway toward the achievement of these long-term objectives, showing a significant degree of progress.

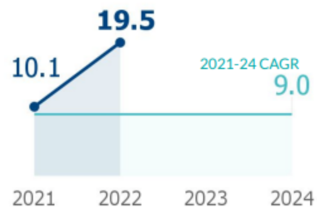
COST-TO-INCOME (BBVA GROUP. PERCENTAGE)



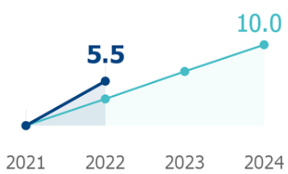
ROTE (BBVA GROUP. PERCENTAGE)



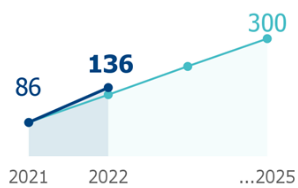
TBV/SHARE + DIVIDENDS (BBVA GROUP, YoY PERCENTAGE)



NEW TARGET CUSTOMERS (1) (BBVA GROUP, MILLION CUMULATIVE)



SUSTAINABLE BUSINESS (GRUPO BBVA, € BILLION, CUMULATIVE SINCE 2018)



(1) Excluding discontinued operations and non-recurring results.
(2) Target customers refers to those customers in which the bank wants to grow and retain, as they are considered valuable due to their assets, liabilities and/or transactionality with BBVA.

2.1.3 Progress made in executing the strategy

A larger and more profitable bank

BBVA seeks to grow by positioning itself where customers are. To this end, the Group pays special attention to attracting customers, either through its own channels or through channels and agreements with third parties. All this without losing focus on profitable growth, betting on the most relevant product verticals and value segments. Likewise, BBVA continues to make progress in its commitment to grow in new business models.

During the 2022 financial year, the Group acquired 11.2 million new customers through its own channels. As a consequence of the improvement in digital capabilities, the acquisition of customers through these channels has continued to increase continuously in recent years and, in 2022, it broke another new all-time record, standing at more than 6.2 million, which represents a 55% of all new customers (+163% since 2019). For their part, mobile customers have grown by 65% since December 2019, reaching 47.4 million, 70% of the total. Digital sales already account for 78% of the total units sold[8].

In addition, it should be noted that customer acquisition is translating into greater cross-selling and greater customer loyalty. As an example, in Spain more than 70% of new customers become target customers in six months. Target customers are defined as those customers segments in which the Group wants to grow and retain, considering them to be of high value, either due to their level of assets, liabilities or transactions with BBVA.

In the search for profitable growth, BBVA focuses on acquiring customers in high-value segments and relevant product verticals, which allow it to boost the Group's results:

– Small and medium-sized companies (hereinafter, SMEs)

  During 2022, the income generated in the SME segment has contributed 13.4% of BBVA's gross margin, confirming its position as a key segment. The Group is working on developing a global value proposition aiming to improve segmentation and customer experience. Specifically, progress has been made in having greater capillarity, in developing new risk models and new remote and digital capabilities. All this already shows tangible results, such as 100% digital credit solutions linked to Point of Sale (POS) Terminals that grow by 58% and an increase of 60% in pre-approved offers.

– International Business Banking

  To boost the International Business Banking segment, BBVA Pivot was launched one year ago which is an ecosystem of solutions and channels for the management of the treasury of companies and corporations, renewing the offer of services through a digital solution that facilitates the daily management of their activity. Among the solutions offered are: payments, collections, account information, cost reconciliation, expense settlement, supply chain financing or bilateral and syndicated loan information, all through the channel that clients choose: direct channels, web and app.

  This ecosystem operates centrally in 14 countries where BBVA is present and 7 countries through agreements with other banks. The companies that use these services simplify their treasury management and also take advantage of the BBVA footprint, generating synergies between businesses in all countries, thus creating a strong link with BBVA. It is one of the greatest levers of growth through different indicators: the gross margin and commissions for treasury management have grown by 70% compared to 2021. These figures represent 37% of the total commissions from cross-border clients of CIB and Companies and Corporations Banking. On the other hand, the transaction volumes have exceeded €665bn, growing by 48% compared to last year.

– Payments

  Payments is a strategic business for BBVA due to its contribution to revenue growth, as it is a key lever for linking and developing the financial relationship with customers, both for businesses, through the acquisition business, and for individuals through cards and other payment solutions.

  With the acquisition business BBVA seeks to be the reference partner for businesses with in-store payment solutions and also in digital/electronic commerce. In addition to traditional payment products, BBVA offers high-value solutions such as financing at the point of sale (BNPL, "Buy Now, Pay Later") or financing linked to the billing of the POS. In Mexico, BBVA has Openpay, the payment services platform for businesses, which is already established in Colombia, Peru and Argentina, becoming a key payment service provider in Latin America. Thanks to this focus on the acquiring business, in 2022, BBVA grew its acquisition of new businesses by 26%.

  Regarding retail clients, BBVA continues to advance its Aqua card strategy, a new generation of cards without printed numbers and with dynamic CVV that offer a differential experience and greater security compared to traditional cards. Aqua is already a reality in Spain, Mexico and Peru, with the number of cards rising to 22 million by December 2022, tripling the figure for 2021 and significantly reducing e-commerce fraud (i.e. the fraud ratio over sales is 2 times lower in Spain, 5.5 times lower in Mexico and 7 times lower in Peru). BBVA also achieves leadership in the adoption of mobile payments in Peru and Colombia by being part of the group of banks that have adopted Apple Pay first.

[8] Data excluding Venezuela

– Insurance

Insurance is a key product to offer comprehensive advice to customers and have an impact on their financial health. BBVA has continued to develop the insurance business with significant growth in activity and results, taking advantage of the technical capabilities in the life insurance segment and deploying the agreements with third parties in the non-life insurance segment that it developed in 2021 in some markets. This has materialized with the launch of modern, innovative products adapted to the trends and best practices in the insurance industry (for example, auto insurance and insurance for SMEs in Spain, health insurance in Mexico and Turkey, and insurance for home in Colombia, Peru and Argentina).

On the other hand, BBVA has continued to develop the life insurance business with an offer of modular solutions adapted to customer needs in all geographical areas, and the launch of new savings products in the main markets. Likewise, BBVA is innovating in the deployment of advanced data analytics models that allow to provide its customers with offers tailored to their specific needs at all times through its different channels. All in all, BBVA managed to raise annual premium growth to 17% compared to 2021.

– Private Banking and asset management

In 2022, BBVA continued to make progress to offer Private Banking customers increasingly personalized, comprehensive and specialized advice. In the last year, this advice was extended to more than 25,000 new customers in Spain and 11,000 in Mexico, with a greater number of Private Banking advisors, who were provided with remote capabilities to improve customer convenience. On the other hand, progress continued in providing more detailed information for the clients of its investment portfolio. Likewise, the business in Colombia and Peru was strengthened, with a growth in the number of bankers and an improvement in the value offer.

Thanks to its progress towards an increasingly global model for customers with innovative solutions, in 2022 BBVA received the award for the best private bank in the world in digital solutions for its customers, according to Global Finance. On the other hand, thanks to its leadership in sustainability, BBVA once again received the award for the best private bank in the world in responsible investments by Global Finance. It should be noted that all the private bankers of the Group have received specific training in ESG matters.

Innovation is a key factor in BBVA's profitable growth strategy.

An example of this is that the Group has promoted strategic investments in digital banking solutions to grow in new and attractive markets, such as betting on purely digital banks through the stakes in Atom in the United Kingdom, Solaris in Europe and Neon in Brazil. In the same way, the launch of the 100% digital business in Italy has been a success, progressing above forecasts with more than 160,000 customers since its launch thanks to the support of the BBVA infrastructure and mobile app in Spain.

In 2022, BBVA has taken another step forward in its firm commitment to innovation with the creation of BBVA Spark, which was created with the aim of being the bank for the innovative companies that are defining the future. Companies with a scalable and innovative business model, based on technology and with high growth rates. With BBVA Spark, the Group offers a comprehensive proposal of financial services to accompany these companies throughout their different stages of growth. Thus, a global unit has been created that is already operational in Spain and Mexico and that will be extended to the rest of the geographical areas where the Group operates, with the aim of growing and attracting new customers among the most innovative companies with the greatest growth potential.

The market situation experienced in the technology sector in the second half of 2022 has favored the creation of a unit such as BBVA Spark, and has allowed BBVA to generate a great reception in the entrepreneurial ecosystem. This has also been thanks to a differential value proposition for these companies and other actors such as venture capital funds that is based on 3 pillars:

1. An ad-hoc relationship model through a 100% dedicated team of bankers and specialists in financing solutions, with in-depth knowledge of the businesses and the needs of these clients.
2. A complete offer of financial products: from the most basic such as payment solutions, cards, payroll, insurance or online banking; to other more sophisticated solutions related to financing. Especially with products such as “venture debt”, or with loans to finance growth in general.
3. A strong connection with the ecosystem thanks to extensive experience in the Open Innovation area and a team dedicated to managing investments in venture capital funds that allow BBVA to be closer to the investment ecosystem and have a great reach to some of the world's leading investors.

Investment in venture capital funds is a fundamental part of the Group's strategy to learn about new technologies and be able to generate business and financial profitability. Thus, in 2022 the Group has increased its investments in innovation through funds such as Propel, specialized in fintech, or Sinovation Ventures, the leading fund in China. And also with two new verticals:

- The first focused on investments related to technologies that address the great challenge of decarbonization. During 2022, BBVA has entered into funds such as Hy24, which seeks to invest in industrial projects that bring solutions based on green hydrogen to a commercial scale; Lowercarbon, which invests in companies that develop technologies to absorb carbon directly from the atmosphere; o Fifth Wall Climate, a leader in "proptech" with a fund that seeks to decarbonize the value chain of the construction and real estate sector.
- The second, aimed at investing in innovative companies with high growth potential within the markets in which BBVA operates. In total, commitments have been signed with seven funds between Mexico and Spain, among which Leadwind stands out, the first fund aimed at scaleups[9] in the Iberian Peninsula and Latin America.

Thus, BBVA Spark concentrates in a single global area the synergies with the entrepreneurial ecosystem that the BBVA Group has around the world, both in banking and investment activities, allowing these companies to cover all their financial needs in one place, as well as have adapted financing products.

[9] Companies with a high technological component in a phase of accelerated growth

A differential bank for our customers with a unique value proposition

BBVA offers its customers a unique value proposition, providing advice for making the best financial decisions and helping them in their transition to a more sustainable future. This value proposition gives a premium experience which has a direct impact on customer satisfaction.

Thus, BBVA occupies the top positions in the NPS[10] in the main markets in which it is present, which is reflected in the retention data, which shows a positive evolution in the levels of customer churn (retail customers and SMEs), and a Higher engagement from digital customers, whose churn rate is 42% lower than that of non-digital customers.

As of December 31, 2022, BBVA maintained its leadership in the retail NPS indicator in Spain and Mexico. In the rest of the countries, BBVA was in second place, with Turkey, Colombia, Peru and Uruguay maintaining their position compared to 2021, in addition to Argentina, whose action plans allowed it to regain the second place in the ranking.

In 2022, BBVA placed a special focus on helping SMEs and companies to continue recovering from the impact of the pandemic. A close and personalized service model, accompanied by improvements in technological channels, positioned BBVA as the leader in the business segment in Mexico, Turkey, Colombia, Peru and Uruguay, along with Spain and Argentina in second position. In addition, BBVA was the leader in SMEs in Turkey, Colombia and Peru, with Spain, Mexico and Argentina in second place, and Uruguay in third position.

At the cutting edge of digitalization

Digitalization has been one of the pillars of the BBVA strategy for more than a decade, and during this time its value proposition has evolved. Initially, the Group focused on improving customer service through digital channels to make self-service systems available which allow transactions to be carried out and contracts arranged in a simple and agile way with a single click. The Group then focused on the development of the necessary capacities to increase digital sales and attract new customers through remote channels. The Bank now also aims to advise its customers via data and artificial intelligence, to ensure they make the best financial decisions.

BBVA has therefore worked in 2022 to continue developing global solutions around financial health and with excellent results. Today, six out of ten mobile customers interact with the financial health functionalities.

The financial health area. BBVA takes a two-pronged approach: day-to-day control and the achievement of medium- and long-term objectives:

1. On the one hand, accompanying customers in the daily management of their finances, helping them to have a better understanding of their income and expenses, with personalized solutions (for example "My day to day", a very complete tool that allows the categorization of expenses, prediction of the same and even financial assets), and proactive notifications before relevant events that, as far as possible, allow them to have greater control of their savings (more than 40 notifications available at the end of 2022, such as: make a transfer from another account in case of predicting a possible overdraft in the account due to the payment of the credit card or if there has been a charge above the usual).
2. On the other hand, advising customers in the achievement of medium and long-term objectives. People's needs change over time: from buying a home to saving for the children's university or retirement planning are long-term objectives that require monitoring until they are achieved. Advice to achieve these objectives is also included under the scope of financial health. An example is "My goals", a service with which the client can create savings goals, mark the money they need and set the deadline to achieve them.

This proactive and personalized information is highly valued by BBVA customers, which is reflected in a better Net Promoter Score among users of financial health functionalities. In Spain, in the last quarter of the year, the NPS of the users of this functionality was almost 10 percentage points higher than that of the rest of the customers. Likewise, these financial advisory functionalities have been a key element for contracting products. Thus, in Spain, they have contributed to 37% of the total investment fund contracts, 22% of mortgage contracts or 5% of car loans in the year 2022.

[10] The internationally recognized Net Promoter Score (NPS, Net Recommendation Index or IReNe) methodology, measures customers' willingness to recommend a company and therefore, the level of satisfaction of BBVA's customers with its products, channels and services. The index is based on a survey that measures on a scale of zero to ten whether a bank's customers are promoters (a score of nine or ten), passives (a score of seven or eight) or detractors (a score of zero to six) when asked if they would recommend their bank, a specific channel or a specific customer journey to a friend or family member. This information is vital for checking for alignment between customer needs and expectations and the initiatives that have been implemented, establishing plans that eliminate detected gaps and providing the best experiences.

Also, this differential way of accompanying the customer through digital channels has made BBVA a leader in innovation and digital experience. This leadership has been recognized by the market in 2022 with the granting of awards such as the "most innovative bank" in Europe and Latin America, awarded by The Banker, or the "best digital bank" in Europe, awarded by Euromoney. In addition, the ability to offer these products and experiences globally has allowed BBVA to be "the best global bank in the world," according to The Banker.

Pioneers in sustainability

Sustainability has a long history at BBVA since it participated in the first green bond issue in 2007. Currently, sustainability is a main element of BBVA's strategy, being one of its six strategic priorities: helping clients in the transition towards a sustainable future.

BBVA's sustainability strategy has a roadmap with three objectives:

1. Increase the growth of the Group's business through sustainability
2. Achieve neutrality of greenhouse gas emissions
3. Promote integrity in our relationship with stakeholders

1. Increase the growth of the Group's business through sustainability

Climate change is one of the great challenges that humanity is facing and requires large volumes of investment. It is estimated that decarbonization in the world requires investments of USD275 trillion until 2050, more than 8% of annual world GDP, in clean energy, new materials, infrastructure, agricultural technologies, CO_2 capture and storage, etc[11].

The role of the financial sector in general, and of BBVA in particular, is essential, accompanying customers in their transition towards a sustainable future, developing specific products for customers and financing this profitable investment.

Sustainability is a lever for growth for BBVA and it has a holistic approach, with a focus on climate action and inclusive growth, covering all segments. To capture this opportunity, we are working on five lines of growth:

- Sector strategy for corporate clients: focused on low-carbon technologies and high-emission sectors to help them decarbonise. Sector plans are being drawn up to proactively address the reduction of the carbon footprint of the loans that BBVA grants to its clients (alignment of portfolios) and the teams specialized in sustainability are being strengthened.
- Promoting the company: developing products focused on six themes (auto, real estate, agriculture, supply chain, energy and inclusive growth), taking advantage of the Bank's knowledge with corporate customers and creating dedicated teams in all geographies.
- Launch of bets to rapidly expand the retail business by using the Bank's digital advantage: this line is making it possible to create an innovative and disruptive value proposition in specific sectors, for which teams have been created dedicated to developing new solutions in cars, energy efficiency and carbon markets.
- Financing of new sustainable technologies, which are currently unbankable with traditional financing structures (hydrogen, batteries, carbon capture, storage and use technologies, etc.), allowing BBVA to be a reference in the ecosystem.
- Building sustainability risk management capacity: Achieving superior risk management capacity is a key element in fostering growth. The focus is on embedding sustainability throughout the risk value chain, from the risk appetite framework to the loan approval process. The development of specific tools is a priority as a key element in decision making.

In line with the above, BBVA set an initial goal of channeling sustainable business of €100,000m for the period 2018-2025 (Objective 2025). This objective was doubled in 2021 reaching €200,000m. In 2022, the target has been raised again to €300,000m, tripling the initial target set in 2018.

Between 2018 and 2022, BBVA has channeled[12] a total of €135,871m into sustainable business[13]. For further details, see section "2.3.5 Metrics and objectives: Channeling sustainable business" in the chapter "2.3 Report on climate change and other environmental and social issues" of this report.

[11] Source: "The net-zero transition: What it would cost, what it could bring", McKinsey & Company, 2022

[12] For the purposes of the 2025 Objective, the channeling of sustainable business includes the entities that are part of the BBVA Group as of 12/31/2022 as well as the foundation BBVA Microfinanzas.

[13] For the purposes of the 2025 Objective, channeling is considered to be any mobilization of financial flows, cumulatively, towards activities or customers considered sustainable in accordance, fundamentally, with existing regulations, internal standards inspired by existing regulations, market standards such as Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles and Sustainability Linked Loan Principles of the Loan Market Association and best market practices. The foregoing is understood without prejudice to the fact that this mobilization, both initially and at a later time, may not be recorded on the balance sheet. To determine the amounts of channeled sustainable business, internal criteria are used based on both internal and external information, either publicly available, provided by customers or by a third party (mainly data providers and independent experts). BBVA does not assume responsibility for the opinions expressed by third parties or for any errors or omissions in the information coming from external sources.

2. Achieve neutrality in greenhouse gas emissions

BBVA is one of the founding banks of the Net Zero Banking Alliance and, as such, has acquired the commitment to be neutral in carbon emissions ("Net Zero") by 2050. To this end, the Bank is applying the strategy of alignment of portfolio and management of indirect emissions.

- Regarding risk management and portfolio alignment: in recent years, significant progress has been made:
  - Setting intermediate decarbonization goals for 2030 in six sectors: electricity generation, automobile, steel, cement, coal, and oil and gas (this last objective was set in 2022). Also in 2022, the decarbonization targets were set for the Asset Management portfolio. The objectives for each sector can be found in the section "2.3.4 Management of risks associated with climate change and environmental factors" in the chapter "2.3 Report on climate change and other environmental and social issues" of this report.
  - Developing specific tools to measure the transition of clients towards a low carbon economy that are integrated into credit policies. For example, a Transition Risk Indicator, which is a combination of two metrics (climate change awareness and customer transition path assessment) that, together with credit policies, provide a comprehensive transition assessment of each client.
  - Implementing a governance model that ensures the execution and monitoring of the objectives.

- Regarding the direct impact:
  - Since 2020, BBVA has been neutral in direct emissions (scope 1, 2 and part of scope 3: waste, emissions from business trips and travel by employees of central services, see section "2.3.6 Management of direct and indirect impacts of this report").
  - At the same time, BBVA continues with its strategy to reduce own emissions. For this reason, it has set the objective of reaching a 100% use of renewable energy in its operations by 2030, reducing scope 1 and 2 CO_2 emissions by 68% compared to 2015 in the year 2025 and expanding the measurement scope of CO_2 emissions to more scope 3 activities.
  - BBVA's progress in terms of its direct impact can be found in the section "2.3.6 Management of direct and indirect impacts" in the chapter "2.3 Report on climate change and other environmental and social issues" of this report.

3. Promote integrity in our relationship with stakeholders

Through the Commitment to the Community 2025, in the 2021-2025 period, BBVA and via foundations will allocate €550m to social initiatives to support inclusive growth in the countries where it is present. The programs will reach 100 million people during this period. This is the most ambitious social plan that BBVA has launched to date. For more information on commitment to the community, see section "2.2.4 Society", section "Community Commitment" in chapter "2.2 Our stakeholders" of this report.

Additionally, the Bank has a commitment to generate a positive impact in the exercise of its own activity. To this end, action plans are being drawn up:

- With employees: BBVA is committed to employees, being an organization based on values that enriches talent, with a diverse and inclusive team. Currently, the focus is:
  - Equality: BBVA has taken another step towards gender equality and established in 2022 a target for the presence of women in management positions of 35% by 2024. At the end of 2022, this percentage stood at 33.5%.
  - Employee awareness and involvement actions on sustainability.
  - Sustainability products for employees.
  - Sustainability training
- With customers: BBVA promotes an integral relationship with customers based on transparency and responsibility.
- With transparency: BBVA has a commitment to continue improving the report related to sustainability, as evidenced by the TCFDs (Task Force on Climate-related Financial Disclosures) and EINFs published to date.

A global benchmark

In 2022, and for the third consecutive year, BBVA obtained the highest score (86 points) among banks in Europe and the second at global level in the latest Dow Jones Sustainability Index (DJSI). Its Corporate Sustainability Assessment (CSA) measures the performance of the largest companies by market capitalization in economic, environmental and social matters. The Group achieved the highest score (100 points) in the sections on financial inclusion, environmental and social information, materiality, tax strategy, crime prevention, public influence or lobbying, and human rights.

Likewise, BBVA was included for the fifth consecutive year in the Bloomberg Gender-Equality Index 2022, which is recognition of the commitment to create trustworthy work environments, in which professional development is guaranteed and equal opportunities for all employees regardless of their gender. The entity's firm commitment to diversity and inclusion allowed it to improve its rating by five percentage points compared to the previous edition. Garanti BBVA, the Group's subsidiary in Turkey, is also part of the index.

BBVA is a member of the main sustainability indices (for more details, see the section "2.3.8 Sustainability indices and ratings" in the chapter "2.3 Report on climate change and other environmental and social issues").

Continue to lead in efficiency

BBVA works to optimize its customer relations and acquisition model, with the aim of reaching more customers at a reduced cost. The Group seeks to provide its customers with a self-service model that is always accessible and thus respond to the changing habits of consumers, who are increasingly digital. This is demonstrated in a growth of 26% in digital transactions compared to 2021, while transactions in branches fell by 2%.

This new reality implies serving more customers and generating more growth by optimizing the cost structure, with a direct positive impact on network productivity and efficiency. In this way, during the year 2022, the ratio of active customers per network employee has increased by 40% and sales per network employee by 36% compared to 2019. Additionally, the Agile methodology, which has been implemented gradually in the Group in recent years, allows the creation of better products and services for customers in a faster and more efficient way. Thus, the functionalities placed in the hands of customers in the mobile application in Spain have multiplied by 3 since 2016. Another example is the 50% reduction in the number of days needed to design and implement a functionality in Mexico. This way of doing banking translates into more productive and more committed teams.

Additionally, BBVA seeks to leverage itself globally to develop more efficient products and solutions that provide answers to customer needs. To this end, the Group has industrialized and standardized the construction of the digital channel software in all the banks that are part of BBVA, allowing a solution created in one country to be exported very quickly to the rest, which has significantly improved the time to market, the quality of the solutions, the efficiency (it is built once for all the countries) and allows our clients to be provided with the same capabilities and experience in all the geographies in which the entity operates. Two examples are the mobile application for retail customers, in which 81% of the programming code has been reused, or the mobile application for companies, which has been developed in less than a year, reusing 80% of the components. In fact, it began by launching in Spain and the same leading app is now available in Mexico, Peru, Argentina, Colombia and Uruguay.

On the other hand, the Group continues with its commitment to the use of more efficient and scalable technologies, cloud or cloud technologies, which already represent more than 50% of total transactions in Spain, Mexico, Peru and Colombia. The use of these technologies is making it possible to contain the cost of processing when transactionality is growing exponentially (it has doubled in the last 4 years) derived from digitization and greater customer interaction with BBVA channels.

This focus on operational excellence has led the Group to consolidate its leadership position in terms of efficiency for another year. BBVA's efficiency ratio stood at 43.2% at the end of 2022 (277 basis points better than in 2021, in constant terms) while the average for European competitors was 62.8% at the end of September 2022 (latest data available).

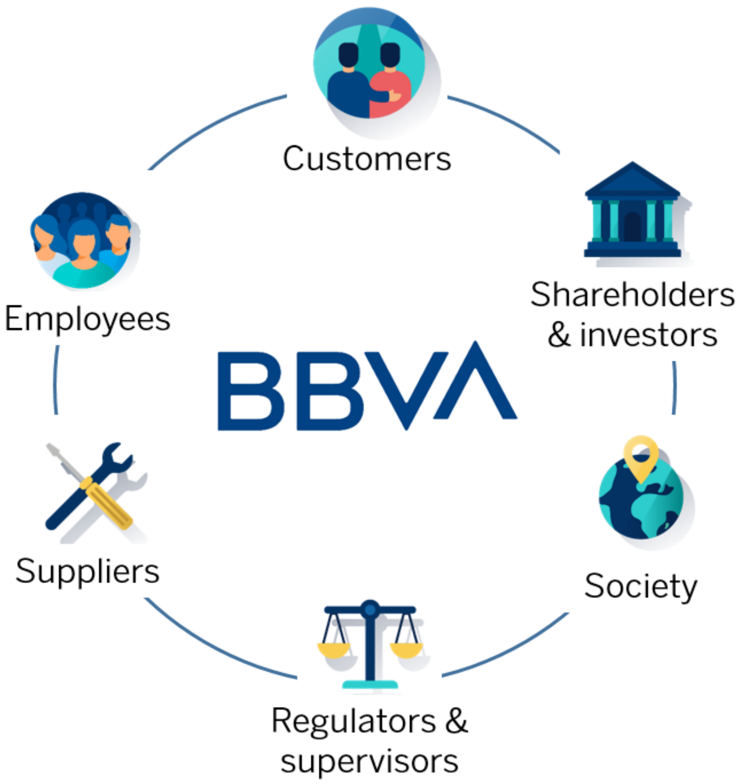
The optimal allocation of capital is another critical component of operational excellence. To this end, BBVA prioritizes the allocation of capital to the most profitable business opportunities. In addition, the Bank has a model that links a dynamic pricing system with the allocation of capital by individual operation. Thus, for each loan granted by the Group, the transaction must exceed the minimum capital return thresholds set beforehand. This differential way of doing banking, where the search for profitability is present in each operation, has an immediate translation into the financial magnitudes of the Bank. Specifically, the return per risk-weighted asset (hereinafter, RORWA) at the end of 2022 stood at 2.14%, 13 basis points above the end of the previous year. For more information on RORWA, see "5.1 Alternative Performance Measures (MAR)" in chapter "5. Other information" of this report.

2.2 Our stakeholders

Through its purpose, values, and its strategic priorities, BBVA seeks to have a positive impact on the lives of people, companies and society as a whole through its activity. To this end, it has a responsible banking model and is committed to creating long-term value for the different stakeholders.

This way of doing banking responsibly extends to all the entities that form part of the Group and its principles are integrated into the relationship that BBVA maintains with its stakeholders, as well as its relationship with the environment and social development, its fiscal responsibility, the prevention of behaviours contrary to the norms, human rights and in its participation in international initiatives.

BBVA considers six stakeholders to be a priority:



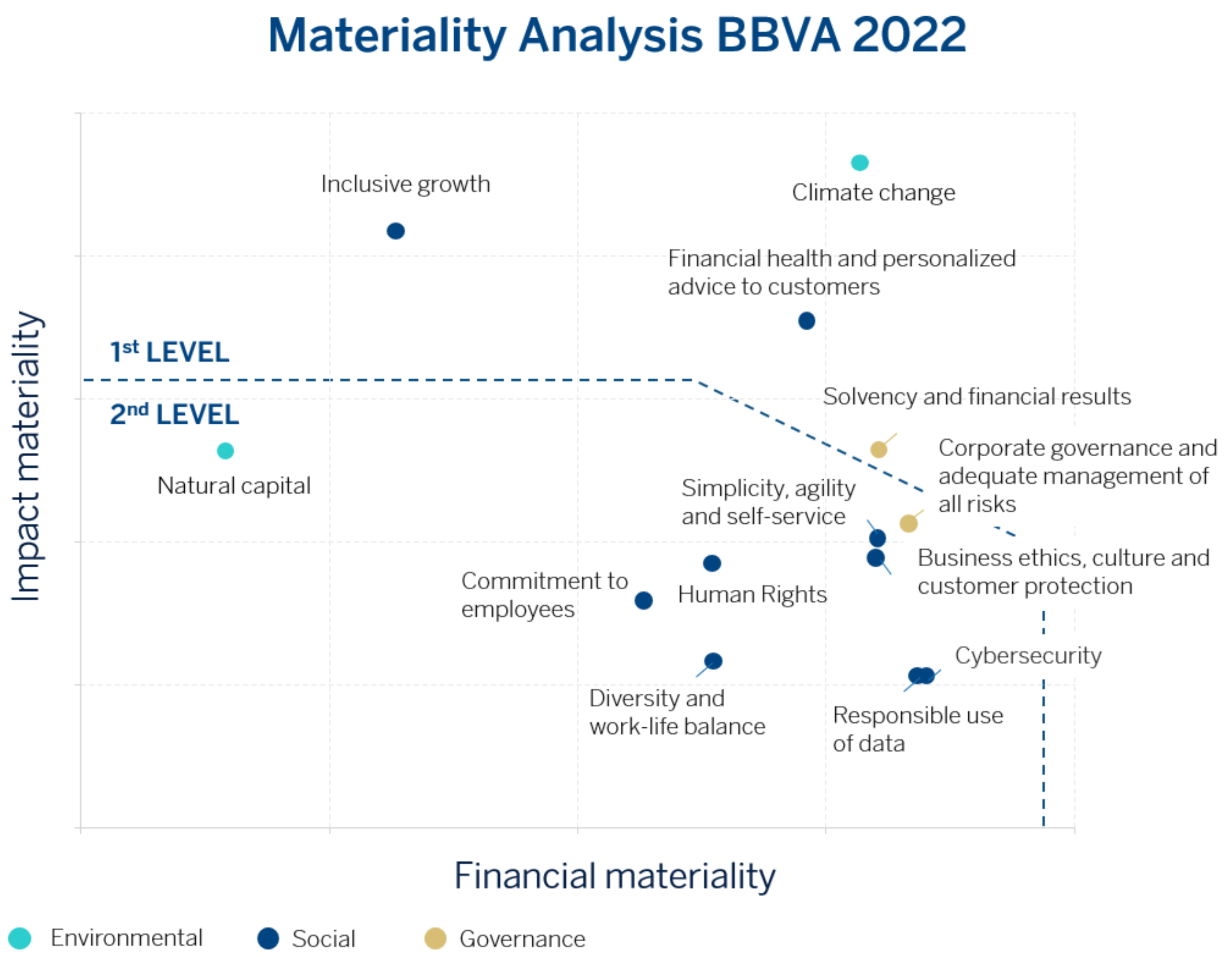
These stakeholders represent millions of people and hundreds of thousands of institutions, organizations and collectives. Everyone, with their decisions and opinions, influences BBVA and, at the same time, the Group's activities influence them.

In addition, these interest groups interact with each other, forming a universe of relationships that BBVA must manage for a better understanding of the environment in which it operates and for a profitable and sustainable financial performance. Today, dialogue with stakeholders significantly influences the management of sustainability in companies.

Materiality analysis: Identification of relevant aspects

BBVA periodically prepares a materiality analysis to identify those environmental, social and governance issues that are most relevant to the Group and its stakeholders. In 2022, this analysis has been carried out following the new GRI requirements (December 2021 version) and the proposal of the new European Corporate Sustainability Reporting Directive (CSRD), which has implied the incorporation of the double materiality approach, which analyzes, both, the impact that BBVA's activity has on the environment and its stakeholders (impact materiality) and the impact that the environment and its stakeholders have on BBVA's activity (financial materiality).

As a result of this analysis, the material issues for BBVA's stakeholders are the ones shown in the following matrix:



As a result of the double materiality analysis for the year 2022, the most outstanding material issues are:

- Climate change: Stakeholders have climate change among their main concerns and expect BBVA to contribute to an orderly transition towards a low-emissions economy. This requires proper risk and opportunity management.
- Inclusive growth: Stakeholders expect the bank's business model to support the financial inclusion of people in the countries in which it operates, entrepreneurs, and the development of inclusive infrastructures.
- Financial health and personalized advice to customers: Stakeholders expect the bank to get to know its customers and propose personalized solutions and recommendations to better manage their finances and achieve their life goals. All this in a proactive and increasingly automated way.
- Solvency and financial results: Stakeholders expect BBVA to be a bank with ample capital and liquidity, thus contributing to the stability of the system. In addition, they expect BBVA to generate good results over time. That is, they demand a sustainable business model in the current ecosystem.

It should be noted that, with respect to the materiality analysis published in 2021, a total of thirteen material issues remain, although the "COVID-19" issue has been disregarded and "Natural Capital" has been included.

These issues materialize in three of the six strategic priorities: "Helping customers in the transition towards a sustainable future", "Improving the financial health of customers" and "searching operational excellence", as well as in ambitious objectives in terms of efficiency, profitability, value creation for the shareholder, customer growth and sustainable business channelling for the coming years.

The information regarding the performance of these most relevant matters and the rest of the material matters for the BBVA Group in the year 2022 is developed in the different chapters of this report.

The scope of this analysis includes the main geographical areas in which BBVA operates (Spain, Mexico, Turkey, Argentina, Colombia and Peru) and short, medium and long-term time horizons have been taken into account. For more details on the sources used, the methodology, as well as the objectives and degree of progress of these material issues for BBVA and its stakeholders, see the section "Additional information on materiality analysis" in the chapter "2.4. Additional information".

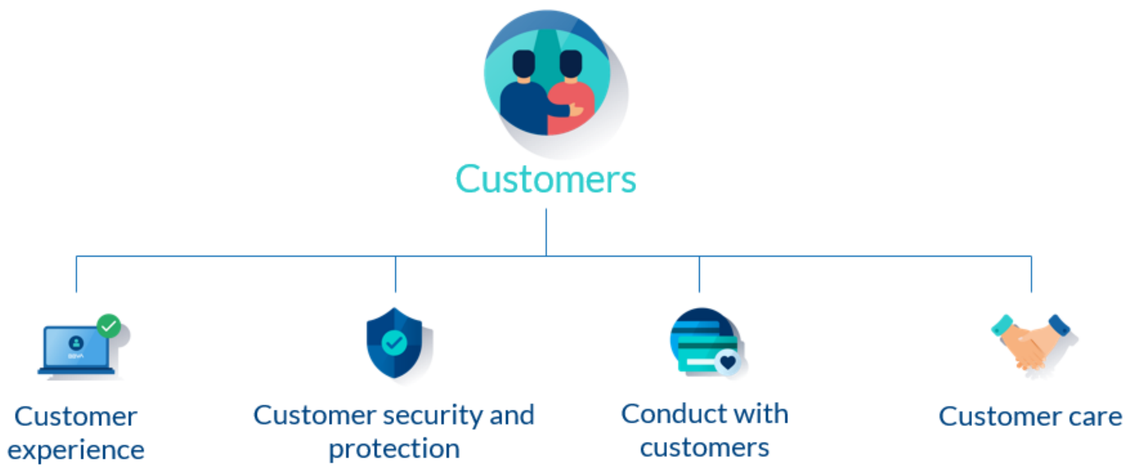
2.2.1 Customers

As previously mentioned in the Strategy section, "The customer comes first" is a value that is part of BBVA's DNA and that motivates the entire Group to place customers at the center of its activity. The relationship with customers must go beyond a simple provision of services and help them meet their vital objectives, while supporting them in improving their financial health.

In order to respond to all the needs of its customers and ensure compliance with the objectives, BBVA has developed a differential value proposition that ensures an exceptional, transparent, clear and accessible customer experience, while strengthening and reinforcing security in each existing interaction between the customer and the Group.

This differential value proposition, leveraged on an omnichannel strategy, with the mobile as remote control, has paid off in 2022, a record year in customer acquisition and leadership in individual NPS and supported by a simplified and transparent service catalogue, driven by proactive and personalized advice.

Four significant points of BBVA's relationship with its customers are developed below:



Regarding the customer experience axis, BBVA has continued to work on improving the accessibility of its solutions, increasing satisfaction rates and reducing the rate of customer flight. In parallel, it has continued to train its staff regarding the principles of Transparency, Clarity and Responsibility and implementing these principles in its new digital solutions and content for clients.

For its part, information security is a fundamental pillar to guarantee operational resilience. For this reason, the Group has established policies, procedures and controls in relation to the security of global infrastructures, digital channels and payment methods, with a comprehensive approach based on artificial intelligence.

In the axis of Conduct with customers, in 2022 the Group has continued to train and raise awareness among its employees about the BBVA Code of Conduct, as well as strengthening its internal regulation.

Finally, with regard to customer care, BBVA has continued to work on resolving customer complaints quickly, and has focused in particular on minimizing cases of fraud derived from the increase in online transactions.

Customer experience

Consumers are increasingly demanding and expect agile and personalized attention. BBVA is working to satisfy their needs and exceed their expectations with the aim of guaranteeing a new standard in customer experience.

Customer satisfaction

As commented above, BBVA occupies the leading positions in the Net Promoter Score (NPS), as reflected in its retention figures, which show a positive trend in the levels of customer drop-outs, and a greater commitment from digital customers, whose drop-out rate is 42% lower than that of non-digital customers.

The internationally recognized NPS methodology measures customers' willingness to recommend a company and therefore, the level of satisfaction of BBVA's customers with its products, channels and services. This information is vital for checking the alignment between customer needs and expectations and the initiatives that have been implemented, setting up plans that eliminate detected gaps and providing the best experiences.

The Group's consolidation and application of this method over the last eleven years provides a common language both internally and with customers that facilitates everyone's involvement and the integration of the voice of customers in everything the Bank does, from the beginning. This has led to a steady increase in customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates. Such is the case of Spain, which in 2022 reached its best historical NPS Retail data of 15,3%.

Transparency, Clarity and Responsibility (TCR)

The relationship of the Bank with its customers must be based on transparency, clarity and responsibility. That is why BBVA integrates these three principles (TCR) systematically into the design and implementation of the main solutions, deliverables and experiences for its customers. The aim pursued by TCR is to help customers make good life choices, and to maintain and increase their trust in the Bank.

Three work lines have been developed to turn these principles into reality:

- Implementing the TCR principles in new digital solutions through the participation of TCR experts in the conceptualization and design of these solutions, especially in massive impact digital solutions for retail customers.
- Incorporating the TCR principles into the creation and maintenance of key content for customers (advertising, product sheets, contracts, sales scripts, responses to customer letters, communications, etc.).
- TCR awareness-raising and training throughout the Group. Since 2014, more than 33 thousand training interactions have been carried out online, of which 2,350 have been in 2022.

Also during this financial year, based on the TCR Principles and within the framework of a Global Integrity Plan at the Group level, the Bank has established, for retail clients, some essential minimums to be respected in the design and development: (i) advertising content through any channel, (ii) digital contracting and service processes ("servicing") and (iii) product marketing protocols. To this end, a cascade communication plan has been carried out for all impacted subsegments, as well as information sessions for the teams involved. In addition, a permanent attention channel has been created for doubts and queries about its application.

BBVA has an indicator to measure its TCR performance: the Net TCR Score (NTCRS), which is calculated following the same NPS method. Based on the same survey, the NTCRS measures the degree to which customers perceive BBVA as a transparent and clear bank in comparison with its peers, in the main countries where the Group operates. According to December 2022 data, BBVA holds leading positions in this indicator in all its markets.

Accessibility to services and products

During 2022, the Group made progress in auditing the accessibility of its main digital solutions to make them accessible to people with disabilities. Thus, BBVA began the implementation of the process to make the new designs and developments accessible. It is also extending the knowledge on digital accessibility with ad hoc support for the Group's entities.

Additionally, and in response to the social demand related to the senior group, and with the aim of helping to accelerate progress towards an inclusive economy, the banking associations AEB (Spanish Banking Association), CECA (Spanish Confederation of Savings Banks) and UNACC (National Union of Credit Cooperatives) reinforced the Banking Strategic Protocol for Social and Sustainable Commitment in 2022.

Within the framework of said protocol, BBVA adopted a series of measures to guarantee that seniors receive personalized and satisfactory attention, such as: extension of face-to-face service hours, preferential treatment for this group in branches, adaptation of other channels (such as apps and ATMs) or mandatory specific training for sales network personnel.

Customer security and protection

Digital transformation and emerging new technologies mean an increase in possible threats and exposure to risk and new challenges affecting security, privacy and, in general, digital trust, which are key aspects for the best development survival of the digital economy.

For BBVA, information security is not only a fundamental piece to guarantee operational resilience, but also one of the main elements in its strategy. In this sense, information security is articulated around four fundamental pillars: (I) Cybersecurity, (II) Data security, (III) Physical security and (IV) Security in business processes and fraud. For each of them, a program has been designed with the aim of reducing the risks to which the Group is exposed. These programs, which consider the good practices established in internationally recognized security standards, are periodically reviewed to assess progress and the effective impact on the mitigation of the aforementioned risks.

During 2022, the measures adopted to guarantee effective protection of the information and assets that support the Entity's business processes have been reinforced, from a global perspective and with a comprehensive approach, considering both the technological field and the areas related to people, processes and security governance.

Among these measures are those designed to: (I) ensure end-to-end protection of business processes, considering logical and physical security, privacy and fraud management; (II) ensure compliance of the principles of security and privacy by design for new products and services; and (III) improve access and authentication control for customers associated with the provision of online services, both from the point of view of security and customer experience.

Below are some of the initiatives which are being implemented at global level or in specific geographical areas of the Group to improve security and customer protection:

- Use of facial biometrics for remote and online onboarding of customers, ensuring compliance with applicable legal requirements.
- Use of biometrics to sign transactions on the BBVA app, which improves the user experience and prevents SIM duplication and smishing attacks.
- Strengthening security measures implemented in all the business processes with greatest risk of fraud.
- Reinforcement of behavior biometrics and malware protection to enhance analytical and fraud detection capabilities on mobile channels.
- Use of advanced analytics models to protect the funds of BBVA customers.
- Enhancement of the section with security advice to make customers aware of the main cybersecurity risks they are exposed to, so that they can prevent or act against threats.

These new initiatives help protect BBVA customers, alongside the use of robust customer authentication mechanisms in e-commerce, the possibility of turning cards on and off from the BBVA app, the sending of real-time notifications on payments or transfers made and the reinforcement of card security to prevent possible fraudulent use of card data, such as the use of the Aqua card, which is the first card without numbering and without a printed CVV, using a dynamic CVV instead.

Additionally, BBVA has continued performing the training and awareness initiatives related to security and privacy, performing training actions and awareness campaigns for BBVA's employees, clients and society in general.

Among the main campaigns, awareness actions and recommendations included in the app, on BBVA's online channels and in social media, we could highlight those related to information protection, secure password management, device protection (computers, cell phones, etc.), detection of social engineering (phishing, smishing, vishing), detection of malware and other computer attacks, detection of cyber scams, security in online shopping and next steps in the event of a security incident.

Other lines of action also include periodic performance of global and local simulation exercises to raise the level of training and awareness of key BBVA personnel and ensure an immediate and effective response in case of a security incident.

.Cybersecurity

In recent years there has been a rise in the number of cyber-attacks, accentuated by the presence of organized crime groups specialized in the banking sector.

In addition, the acceleration of digital transformation has led to the emergence of new risks and new challenges for businesses, including those related to security in work-from-home arrangements, security in cloud environments, the increase in the risk exposure surface and the management of risks associated with service providers.

Moreover, and especially since the onset of the COVID-19 pandemic, the scope of social engineering attacks carried out via email, SMS messages, instant messaging systems and social networks has increased.

As cyber-attacks evolve and become more sophisticated, BBVA has strengthened its prevention and monitoring efforts to ensure effective protection of its assets and customer information.

The Global Computer Emergency Response Team (CERT) is the Group's first line of detection and response to cyberattacks targeting global users and the Group's infrastructure, combining threat intelligence units of the Threat Intelligence Unit. The Global CERT, based in Madrid, operates 24 hours a day, 7 days a week and provides services in all the countries where BBVA operates, under a managed security services scheme, with lines of operation dedicated to fraud and cybersecurity.

During 2022, system monitoring capabilities have increased, paying special attention to critical assets that support business processes. Additionally, incident prevention, detection, and response capabilities have been strengthened through the use of integrated sources of information, improvement of analytical capabilities, and the use of automated platforms. On the other hand, work is being done on the development of new Artificial Intelligence and Machine Learning models that make it possible to predict and prevent cyberattacks against banking infrastructure, providing a more secure experience for customers.

Measures implemented have improved information security management from a predictive and proactive approach, based on the use of digital intelligence and advanced analytical capabilities. The main objective of these measures is to ensure an immediate and effective response to any security incident that may occur, with the coordination of different business and support areas involved, while reducing the possible negative impact and, if necessary, reporting in a timely manner to the corresponding supervisory or regulatory authorities.

BBVA also routinely reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. Specialized teams periodically perform security technical tests to detect and correct security vulnerabilities. These tests include technical tests of technological platforms as well as 'red-teaming' (simulated malicious attacks). The outcome of these exercises is essential to continuous improvement of the Group's safety strategy.

BBVA´s information security and cybersecurity strategy is based on internationally accepted security standards. Best practices and security measures and controls established in standards like ISO/ IEC 27002 and ISO 2700 family, COBIT 5 and NIST Cybersecurity Framework have been implemented.

BBVA has also obtained several certifications (TIER IV certification, ISAE 3402,...) in various of the countries where the Entity operates. To maintain these certifications, external audits are performed regularly by different external providers, according to each certification specific requirements. The external auditors that perform these audits are always selected among the most recognized audit firms in the specific areas of knowledge applicable in each case. Additionally, the annual financial audit also includes the review of aspects related to information security and cybersecurity within the internal platforms.

Security in business processes and fraud

Cybersecurity initiatives are frequently undertaken in close coordination with our fraud prevention efforts and there are considerable interactions and synergies between the relevant teams. As part of the efforts to monitor fraud evolution and to actively support the deployment of adequate anti-fraud policies and measures, a Fraud Management Working Group has been created, that oversees the evolution of all external and internal fraud types in all countries where the Group operates.

Among the functions of this Working Group are: (I) monitor actively the risks of fraud and mitigation plans; (ii) assess their impact on Group businesses and customers; and (III) monitor the relevant fraud facts, events and trends.

Both the Bank and the rest of the Group's subsidiaries have cybersecurity and fraud insurance, subject to certain loss limits, deductions and exclusions applicable.

Business Continuity

In 2022 and 2021, Business Continuity continued to be reinforced from a holistic perspective, paying special attention to the Group’s resilience. All this has consolidated a shift from a model geared to ensuring the uninterrupted delivery of products and services in situations of significant impact which are infrequent but plausible, toward a model in which the organization has been provided with the ability to absorb and adapt to situations with an operational impact due to disruptions of various kinds (pandemics, cybersecurity incidents, natural disasters or technological failures) which has materialized in the past in the intense activity of the Business Resilience Office which, together with the Group's Crisis Management Committees and Continuity Committees, plays a fundamental role in managing the many areas that can be seen affected by such high-impact situations (such as the crisis derived from COVID-19).

Data protection

The main initiatives performed in this area are related to the adoption of measures to ensure that all BBVA's information assets are properly protected, limiting their use to the related processes and controlling access to them, considering the security guidelines established by the Group. All the initiatives are performed guaranteeing compliance of the security and privacy regulatory requirements applicable, especially those related to personal data protection.

All activities related to the data protection program are reviewed by the Data Protection Committee, where all relevant stakeholders of the organization are represented.

During 2022 there have been no security incidents that have had a significant impact on the BBVA Group.

For more information about personal data protection, see the section “Personal data protection” in the "Compliance and conduct" chapter of this report.

Information security governance

BBVA has implemented an information security governance model to achieve the established security objectives.

The Corporate Security unit is organized through a scheme of committees and working groups for the management of the different aspects related to information security: security in operations, security associated with technology, physical security, security in business processes , security related to personnel, etc. These working groups are responsible for supervising the execution of the information security strategy and the effective implementation of the programs designed for each of the four pillars that constitute it.

The main body of this governance model is the Technology and Cybersecurity Commission, whose functions include monitoring the technology and cybersecurity strategy and cybersecurity risk management. This Committee assists the Board of Directors in monitoring the technological risks to which BBVA is exposed, the main trends in technology and cybersecurity and any technological security event that may affect the Group.

Conduct with customers

BBVA has a Code of Conduct that establishes guidelines for conduct with customers in line with the values of the Group. Moreover, the Bank has established governance policies and procedures that establish the principles to be followed when evaluating the characteristics and risks of products and services, and when defining their distribution conditions and follow-up in such a way that, based on knowledge of the customer, his/her interests must be taken into account at all times and the Bank must offer products and services in accordance with the customer's financial needs. Moreover, any customer protection regulations must always be complied with.

BBVA has also implemented processes geared toward the prevention, or, when this has not been possible, the management of potential conflicts of interest that may arise in the marketing of its products.

During 2022, BBVA has evolved and strengthened internal regulation, as well as the frameworks of mitigation, control and monitoring within the scope of protection of the customers, also considering the priorities of regulators and supervisors. In this respect, the following main lines of action have to be highlighted:

- Updating the standards at the Group level in terms of customer protection, especially highlighting the approval of the General Policy for Customer Conduct and Product Governance by the Board of Directors. The policy encompasses and updates several internal policies on this matter, reinforcing and harmonizing in a single general policy the principles and provisions that BBVA will take into account to adequately attend to the interests of customers during the offer, provision and, where appropriate, recommendation, of products and services, thus providing the Group with a single frame of reference in the area of conduct with customers. This update of standards also covers aspects related to the processes of granting loans and credits in a responsible manner.
- The evolution of the indicators of conduct with the customer to identify early possible indications of inappropriate sales practices, applying advanced data analytics techniques for these purposes.

Furthermore, the Bank has continued working to embed the customer-protection vision in the development of marketing protocols, digital and advertising content and the design of digital contract formation processes, as well as in the development of new products and businesses, both retail and wholesale, from the outset of their design or creation, including modifications arising from regulatory developments in the field of sustainability.

Customer care

BBVA has a complaints model based on two key aspects: the agile resolution of complaints and, most importantly, the analysis and eradication of their causes at root. This model constitutes a contribution of immense value for improving customer experience.

In 2022, the Group's complaints units[14] worked to keep up the excellent response times achieved in 2021 and proactively identify potential unfamiliar problems and eradicate the root causes of the most common types of complaints. All this with the aim of generating peace of mind and consolidating customer trust, giving a swift resolution to their problems, through a simple and agile experience and with a clear and personalized response.

MAIN INDICATORS OF CLAIMS (BBVA GROUP)[(1)]

	2022	2021
Number of claims before the banking authority for each 10.000 active customers	11	10
Average time for setting claims (natural days)	7	5
Claims settled by First Contact Resolution (FCR) (% over total claims)	10	10

[(1)] Due to the sale of BBVA USA, during 2021 claims in this country have been monitored until May 31, 2021 only.

In 2022, one of the main lines of work has been focused on minimizing fraud cases derived from the general growth of card operations and the increasingly sophisticated techniques to defraud. The security measures and communication and awareness campaigns carried out for customers have allowed them to be reduced throughout the year (as is the case in Spain, with 32% less in the second half of the year), although compared to 2021 have led to an increase in the number of claims, in total, as well as in those filed with the financial authorities in Spain and Mexico.

Regarding the rise in 2022 in the average claim resolution time, it is worth noting the aforementioned increase in fraud claims, with a more complex resolution process, as well as the fact that BBVA in Argentina has begun to collaborate since July 2022 with Visa and Mastercard in the integration of the claims of their clients managed in the internal process of the Bank. This integration process is the result of a perimeter change in the information to be reported imposed by the local regulator with the aim of working together to eradicate them. This has meant a three-fold increase, since that date, in the monthly volume of claims in Argentina, with a significant impact on the average response time (outside BBVA), both locally and at the Group level. Without this change, the rise in this indicator would have been less pronounced.

Complaints filed with supra-bank authorities (per 10,000 active customers) during 2022 and 2021 were as follows:

[14] The claims handled by these units cover banking entities located in the geographical areas indicated in this section and include retail and BEC business segments.

CLAIMS BEFORE THE BANKING AUTHORITY BY COUNTRY (NUMBER FOR EACH 10.000 ACTIVE CUSTOMERS) [1]	2022	2021
Spain	3.66	1.86
Mexico	10.89	9.19
Turkey	10.96	12.77
Argentina	0.54	0.13
Colombia	66.17	62.45
The United States[2]	n.a.	4.51
Peru	1.87	2.04
Venezuela	0.07	0.09
Uruguay	0.39	0.29
Portugal	13.71	21.90

Scope: BBVA Group.

n.a.: not applicable.

[1] The banking authority refers to the external body in which country, in which the customers can complain against BBVA.

[2] Due to the sale of BBVA USA, during 2021 claims in this country have been monitored until May 31, 2021 only.

The average time for resolution of claims in the Group stood at 7.41 days in 2022, higher than 5.46 days in 2021, as a result of the increase in fraud claims in Spain, Argentina and Peru (whose process of resolution, as mentioned above, is more complex and entails longer response times), the greater number of claims in Turkey associated with the new pension processes, as well as the aforementioned integration of Visa and Mastercard claims in Argentina (which increases resolution time by 5 days).

AVERAGE TIME FOR SETTING CLAIMS BY COUNTRY (NATURAL DAYS)[1]	2022	2021
Spain	12	11
Mexico	4	4
Turkey	5	4
Argentina	15	7
Colombia	5	5
The United States [2]	n.a.	6
Peru	8	7
Venezuela	10	8
Uruguay	14	16
Portugal	6	6

n.a.: not applicable.

[1] The claims considered for the calculation of the average resolution time include those received and resolved during the same year.

[2] Due to the sale of BBVA USA, during 2021 claims in this country have been monitored until May 31, 2021 only.

Claims resolved through the First Contact Resolution (FCR) model, which consists of resolving the incident at the very moment it occurs, thus providing quality service and improving the customer experience, remained at 10% of total claims, thanks to the increase in the ratio in Argentina, Colombia and Peru, which offsets the effect of the exit of the United States from the Group, together with the drop in Turkey due to the halving of claims associated with the main type resolved in FCR.

CLAIMS SETTLE BY FIRST CONTACT RESOLUTION (FCR. PERCENTAGE OVER TOTAL CLAIMS)	2022	2021
Spain [1]	n.a.	n.a.
Mexico	10	10
Turkey [2]	30	38
Argentina	5	3
Colombia [2]	25	21
The United States [3]	n.a.	32
Peru	6	1
Venezuela [1]	n.a.	n.a.
Uruguay	8	11
Portugal [1]	n.a.	n.a.

n.a.: not applicable.

[1] In Spain, Portugal and Venezuela this type of management is currently not applied.

[2] In Colombia and Turkey, the first level resolution is considered FCR, that is, by the front in less than 48 hours.

[3] Due to the sale of BBVA USA, during 2021 claims in this country have been monitored until May 31, 2021 only.

Substantiated claims, related to violations of privacy and loss of customer data submitted to the corresponding supra-banking authorities in the countries, have been reduced to 0.004% of the total claims, thanks to prevention and control policies and measures of the risks.

The total volume of claims in 2022, whose breakdown by country is shown in the following table, represents a 15% increase in the volume of claims with respect to the figure for 2021 derived, as previously mentioned, from the increase in cases of fraud related to card operations (like the cases of Peru and Mexico), claims associated with the new pension processes after the legislative change (and gaining of more than 600,000 pensioners) in Turkey, as well as the incorporation of claims managed by Visa and Mastercard in Argentina (+200,000 claims in 6 months), facts that blur the improvements implemented in the claims management process in the Group.

TOTAL VOLUME OF CLAIMS (BBVA GROUP. MILLIONS OF CLAIMS)

	2022	2021
Spain	0.15	0.2
Mexico	1.05	1.04
Turkey	0.22	0.18
Argentina	0.5	0.23
Colombia	0.12	0.11
The United States (1)	n.a.	0.02
Peru	0.38	0.32
Venezuela	0.011	0.014
Uruguay	0.014	0.012
Portugal	0.0001	0.0001

n.a.: not applicable.

(1) Due to the sale of BBVA USA, during 2021 claims in this country have been monitored until May 31, 2021 only.

For more information on the Customer Care Service and the Customer Ombudsman see the section "Other information on customer complaints" in the chapter "2.4. Other information" of this report.

2.2.2 Shareholders and investors

Shareholder structure

As of December 31, 2022, the Group had 6,030,116,564 shares outstanding (as of December 31, 2021, 6,030,116,564 shares outstanding), 59% of which were held by institutional investors and the remaining 41% held by minority shareholders, all of them providing the same political and economic rights, not there being different voting rights for any shareholder. The reduction of 637,770,016 outstanding shares is explained by the amortization of the shares acquired during the execution of the share buyback program.

Shareholder remuneration

The Group's shareholder remuneration policy is to distribute annually between 40% and 50% of the ordinary consolidated profit for each year. It should be noted that said shareholder remuneration policy was modified in November 2021 and compares with the previous policy that established a distribution between 35% and 40%.

This policy is implemented through the distribution of an amount on account of the dividend for the year (which would be paid foreseeably in October) and a complementary dividend (which would be paid once the year has ended and the application of the result has been approved, foreseeably in April), and may Cash distributions can be combined with share repurchases, all subject to the authorizations and approvals that are applicable from time to time.

In this regard, in September 2022, the BBVA Board of Directors approved the cash distribution of an amount on account of the 2022 dividend, amounting to 0.12 euros gross per share, which was paid on October 11, 2022. 2022. Said dividend represented an increase of more than 50% compared to the dividend distributed a year earlier in October 2021 (€0.08 gross per share).

The total remuneration to the shareholder, measured through the TSR (Total Shareholder Return) that considers both, the dividend payment, which is reinvested in BBVA shares, and the evolution of the share price, have shown a favorable evolution, increasing by 15.3% in 2022, which compares with a drop of -3% in the average of its European bank peers.

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

In this way, the total distribution in charge of the financial year 2022 will be €3,015m, 47% of the attributable profit, equivalent to €0.50 per share, taking into account that in October 2022 €0.12 per share were distributed as interim dividend for the year.

The total remuneration to shareholders includes, in addition to the aforementioned cash payments and the new extraordinary share buyback program, remuneration resulting from the execution of the framework program for the repurchase of BBVA's own shares announced on October 29, 2021 and executed in two tranche during 2021 and 2022s. The Bank, in the execution of its framework repurchase program, acquired a total of 637,770,016 shares, for an amount of €3,160m, which represented one of the largest share repurchases in European banks.

In this sense, after the amortization of the shares acquired in execution of the First and Second Tranche of the Framework Program executed throughout 2021 and 2022 (281,218,710 and 356,551,306 BBVA treasury shares, respectively), the share capital of BBVA as of December 31, 2022, has amounted to €2,954,757,116.36, represented by 6,030,116,564 shares with a face value of €0.49 each.

For more information on the Group's share repurchase program executed during 2021 and 2022, see section "The BBVA share", within the financial information of this report.

General Shareholders' Meeting

The General Shareholders’ Meeting is one of the main governing bodies of a capital company whose responsibility is to deliberate and agree, among other matters, the approval of the annual accounts, distribution of results and approval of corporate management; the appointment, re-election and revocation of administrators, etc. In this way, BBVA shareholders are summoned, at least annually, to participate in the Bank's General Meeting where the Entity makes all kinds of means available to them to facilitate their participation.

BBVA held its General Shareholders' Meeting on March 18, 2022 at the Palacio Euskalduna in Bilbao, and also enabled the corresponding channels for telematic assistance to it and its follow-up through its streaming broadcast with free access from the corporate website. Thus, shareholders were able to attend the event in person or electronically, after accreditation in the "Telematic Assistance Portal".

The 2022 General Shareholders' Meeting had a quorum of 65% and, among other resolutions adopted, the Chairman and the CEO were re-elected, as well as the appointment of the new member of the Board of Directors, Connie Hedegaard Koksbang. The resolutions relating to the annual accounts, corporate management of the financial year and the shareholder remuneration proposal were also approved by a large majority.

BBVA is committed to achieving neutrality in its own emissions. In line with this objective, it should be noted that the 2022 General Shareholders' Meeting received, for the fifth consecutive year, the certification of a sustainable event in accordance with AENOR according to the UNE-ISO 201221 standard and, for the third consecutive year, was certified as neutral in carbon emissions.

Finally, on the occasion of the 2022 General Shareholders' Meeting, and in order to contribute to the objective of inclusive and sustainable growth, BBVA made a solidarity contribution in Spain of €300,000 through which different NGOs received funds to finance projects in the areas of sustainability and inclusive growth taking into account the vote of the shareholders in each of the four established purposes.

Relationship with shareholders and investors

BBVA shareholders and investors represent a highly relevant stakeholder. That is why the Group carries out permanent communication work with its shareholders and investors, both national and international, in order to facilitate knowledge of the evolution of the entity and all those relevant issues that allow the proper exercise of their voting rights and decision making.

The purpose of BBVA's Policy for Communication and Contact with Shareholders and Investors is to promote the transparency of the Bank's public information and to do so in a continuous, periodic, timely and available manner with equal treatment among shareholders.

To adequately meet these objectives, the Shareholder and Investor Relations area uses a variety of communication channels and instruments that allow shareholders to access the Bank's relevant information in the manner that is easiest and most convenient for them.

Among these actions, the following channels of communication, participation and dialogue with shareholders and investors stand out:

Conferences and meetings with shareholders and investors

The Shareholder and Investor Relations team periodically organizes informative meetings (meetings, attendance at relevant conferences for the sector and other events), in which Bank representatives meet with analysts, shareholders and investors, both national and international, in order to present the financial and business evolution of the Group and other aspects of interest, attending to their comments and questions in a personalized way. In addition, periodically, the Shareholder and Investor Relations team organizes digital events with shareholders subscribing to the alert service on the shareholder and investor website.

Shareholders and investors website

BBVA has a web page especially aimed at its shareholders and investors (www.accionistaseinversores.bbva.com) where extensive institutional and economic-financial information is provided on the Group's activity and results, as well as any other information that is estimated of interest to them. Similarly, the information on this website can be accessed from the Group's corporate website (www.bbva.com).

Other communication channels with shareholders and investors are:

Webcasts and conference calls

BBVA operates a streaming channel for the quarterly results presentations and other relevant communications for the market, which allows shareholders, investors, analysts and anyone else who wishes to access them, as an important mean of keep these stakeholders informed about the Bank's performance. This channel is also available on a delayed basis and is accessible through the corporate website.

Consultation service and Shareholder Office

In order to facilitate open and transparent communication between shareholders and the Bank, a Shareholder Office is permanently maintained through which requests for information, clarifications or questions and their corresponding responses are channeled. To this end, BBVA makes available to shareholders a telephone line and an electronic mailbox.

There is also an electronic mailbox for institutional investors, through which they can send any questions, requests and suggestions. The mailbox is continuously managed in order to maintain fluid and transparent communication with investors.

Finally, BBVA offers its shareholders and investors, and the general public, a subscription service that, at the user's request, allows them to find out in real time the news published on the corporate website in relation to financial reports, relevant facts or economic-financial presentations.

2.2.3 Employees

BBVA has one Purpose: "To bring the age of opportunity to everyone". A Purpose that seeks to help all stakeholders, customers, shareholders and also its employees, to meet their vital objectives. The objective as an organization is to have the best and most committed team, one of BBVA's six strategic priorities, and, therefore, BBVA must be capable of attracting, motivating, training and retaining the best talent, aligned with the Group's Values.

For this, the employee value proposition has been developed around three pillars: Bank, Team and People.

Bank

We are an innovative and multinational company with 165 years of history, with a purpose, a culture and values that guide us to create opportunities and generate a positive impact on society.

Team

At BBVA we have the opportunity to work with the best and most diverse team, taking advantage of the opportunities offered by new ways of working

People

At BBVA we grow professionally to develop our potential in a supportive environment full of challenges

In a year of great economic uncertainty and disruptions driven by innovation and sustainability that affect practically all workstations, BBVA has made great strides in talent management.

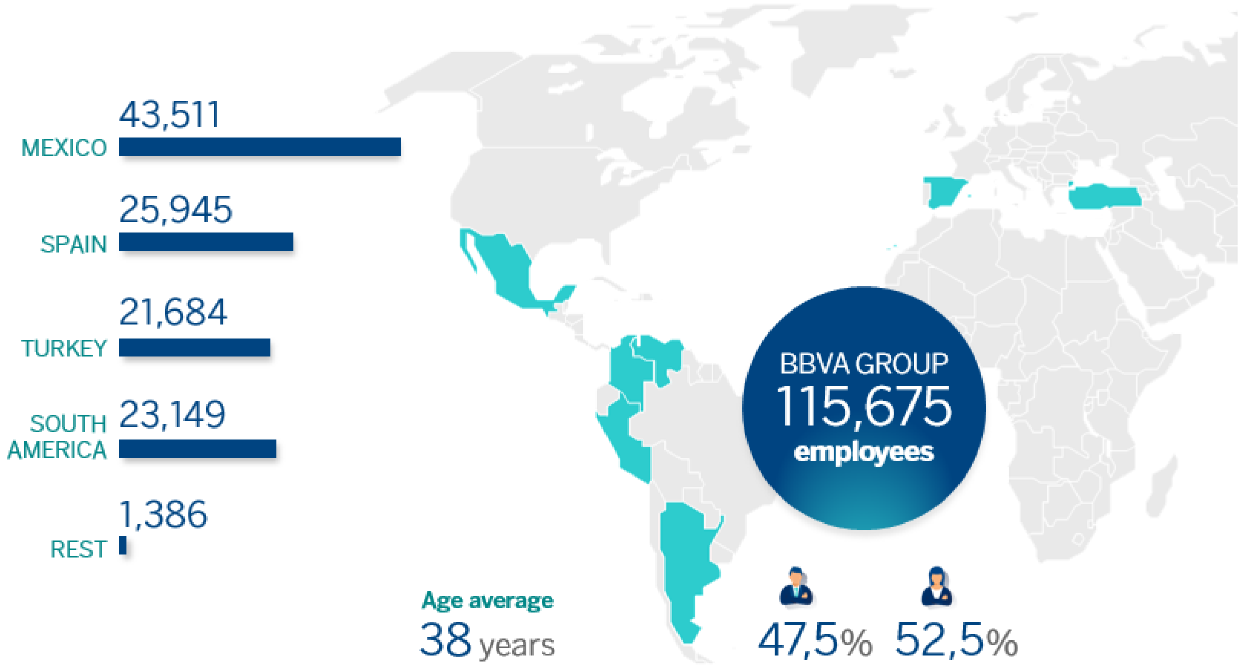
- In relation to the "Bank" Pillar, 2022 has been a very positive year in terms of employee commitment to the Group. In the Gallup survey, in which 94% of the workforce participated this year, BBVA has obtained an outstanding result in commitment, with an overall index of4.39 -on a scale of 5-, which means +12 basis points above 2021, placing us in the 74th percentile compared to all companies in Gallup.
- As part of the "Team" pillar, BBVA is convinced that diversity enriches the organization, and that is why the Group has been making decisive progress in gender diversity for a long time and in 2022 it wanted to set an ambitious goal, concrete and measurable to show this commitment: reach 35% of women in management positions in 2024.

  In the work environment, the Group has consolidated the hybrid work model with a very positive balance. This has been possible thanks to the 'agile' organization and the principles of empowerment and trust towards employees on which the people strategy is based.
- Within the "People" pillar, BBVA has improved growth processes by making them more transparent and homogeneous, something that has allowed the annual performance review process of employees to evolve to promote meritocracy and promote a culture of high performance. A very important milestone in 2022 was the celebration of the "Talent Week", where more than 72,000 employees were able to see the opportunities for professional growth offered by BBVA.

  The Group has promoted training plans in the strategic capabilities of the future (sustainability, financial health, cybersecurity, data, etc.), providing the entire workforce with the necessary tools for their professional development.

  Given the relevance that innovation and technology have as fundamental levers for the transformation of BBVA, the Group has strengthened the recruitment and retention of talent in strategic profiles with high demand through specific measures.

  In the remuneration field, the high inflation in 2022 has had a significant impact on the purchasing power of employees in all geographical areas and, especially, in those countries with hyperinflation. To deal with this, different measures have been taken, such as the application of salary reviews aligned with inflation, the increase in the frequency of salary reviews or the advancement of variable remuneration. The financial health of people is one of the Group's strategic priorities. For this reason, in addition to the salary increase, the Group has incorporated other economic benefits for employees with a focus on the long term. For example, starting in 2023, BBVA has decided to increase the minimum contribution it makes to its employees' pension plan in Spain by 48% and make a new long-term savings policy available to them.



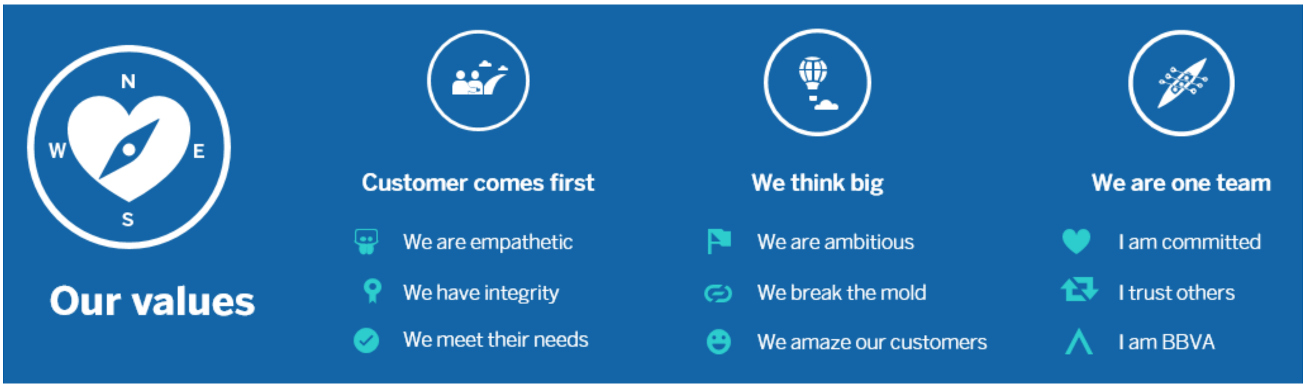
Note 1: Figures as of December 31, 2022
Note 2: Criteria for number of employees is based on location

As of December 31, 2022, the BBVA Group had 115,675 employees located in more than 25 countries, which represents an increase of 5% in the year. The growth in the workforce is due to the hiring of new profiles linked mainly to the Engineering and Sustainability areas, support for specific businesses that present growth opportunities and support for the elderly in the digitization process.

52.5% of the Group's workforce were women and 47.5% men, with an average age of 37.6 years in 2022.

Culture & Values

BBVA's values and behaviors are the action guidelines for the Group's employees in their day-to-day decision-making and help them accomplish the Group's Purpose "To bring the age of opportunity to everyone". The values and behaviors are the hallmark of everyone working in the Group and define the DNA of BBVA.



BBVA's values are integrated into the core models and levers that promote the Group's transformation. They are also included in the global people management processes: from the selection of new employees to the procedures for allocating roles, people development, training, and even incentives for achieving annual goals.

In 2022, a new edition of Values Day was held, a day on which the employees experience BBVA's culture and deepen their understanding of the positive impact that the daily application of the Values has on our stakeholders. Under the slogan "I am BBVA", the concept of pride of belonging has been reinforced, with the participation of more than 51 thousand employees in different activities. The most relevant of these activities were the team workshops in which new initiatives are identified to continue promoting innovation and collaboration. The Values Day was rated as a very positive action to internalize the Values by 97.2% of the participants.

BBVA conducts an annual Employee Engagement Survey, managed externally by Gallup. In 2022, the sixth listening process was carried out, with 94% of employees have participated. BBVA shows an outstanding performance in employee engagement with an overall rating of 4.39 (on a scale of 5), up 12 basis points from 2021. The attached table shows the main commitment indicators:

ENGAGEMENT INDICATORS

	2022	2021
Employee Engagement Index: GrandMean (scale 5) (1)	4.39	4.27
BBVA's engagement percentile compared to total companies	74	64
Employee satisfaction index (scale 5)	4.50	4.35
Engagement ratio (number of employees engaged versus number not engaged)	13.80	10.50

(1) By age range, the results on the commitment index for this year have been: 4.47 points out of 5 among employees under 25 years of age; 4.42 points for the age group between 25 and 34 years; 4.37 points from 35 to 44 years; 4.36 points from 45 to 54 years; and 4.32 in the case of employees over 55 years of age. By gender, the result has been similar between men (4.40) and women (4.38).

On the other hand, BBVA continues to make progress in the implementation of a global leadership model in which all employees are leaders, a model that focuses on entrepreneurship, empowerment and responsibility (commitment to results), for which in 2022, the Group has launched different initiatives:

- The "The Good Manager" project was launched, with the aim of providing team managers with the necessary skills to have more committed teams.
- It has opted for the development of a feedback culture (hot feedback) to improve the professional growth and leadership of employees.

As a further step in the process of cultural transformation and, specifically, in the ways of working based on flexibility, responsibility and trust in people, in 2022 the Group implemented the flexible work model permanently for those functions where it is feasible. A general model through which employees can telework up to 40% of their time, with great autonomy, being able to distribute that percentage on a quarterly basis (see "Work organization" in the "Work environment" section).

Lastly, BBVA continues to promote a corporate culture of social and environmental commitment to help customers in the transition towards a sustainable future, with a focus on climate change and inclusive and sustainable social development. Within this program, among other actions, employee access to volunteer actions is facilitated. For more information on volunteer actions, see "Volunteering" in the "Contribution to society" section in the "2.2.4. Society" chapter,).

Professional development

During 2022, BBVA has improved the professional growth processes, making them more transparent and homogeneous. Something that allows the annual performance review process of employees to evolve to promote meritocracy and enhance the culture of high performance. All the employees participating in the annual evaluation process received a report with the results of the performance evaluation, evaluation of the competencies (as well as the deviation from the required level of the position), the potential, the location on the map of talent and qualitative feedback from the different participants in the process.

Likewise, BBVA has continued to work on the Professional Development Model by consolidating an ecosystem that makes the different development tools available to employees. This ecosystem is structured into three modules that allow the employee to: 1) get to know themselves better, 2) improve to grow, and 3) explore new paths.

A very important milestone in 2022 has been the celebration of the "Talent Week" at a global level, where the Group shared with the employees the growth and development opportunities available to them. The initiative had a global agenda with attractive and inspiring presentations in relation to the following main themes:

- Discover the Professional Development Model,
- The different growth tools,
- Merit-based promotion criteria,
- Manager's responsibility,
- The importance of a feedback culture.

Under the motto "Growing Together Moves Us", on the one hand, BBVA carried out face-to-face activities in all geographical areas and, on the other, created a global access site with activities, challenges and games that allowed employees deepen and practice with growth tools in online format. The impact was significant, with more than 72 thousand connections to global events, more than 82 thousand participations in 174 local events, more than 2 million interactions on the site and 79 thousand employee accesses to the Group's training platform. The initiative's net satisfaction index was 70 points (NPS).

Attracting talent

Innovation and technology are the fundamental levers of BBVA's transformation. To this end, the Group has reinforced the recruitment of talent in strategic profiles with high demand through segmented measures and initiatives (differentiated and specific attraction measures depending on the profiles). BBVA seeks to offer a unique value proposition through a common brand, in keeping with a global and digital entity.

BBVA has a global reference model for attracting talent, with clear policies that strengthen transparency, trust and flexibility for all stakeholders in the process.

As shown in the following table, in 2022 the Group hired 10,727 professionals (7,586 in 2021).

SIGNED CONTRACTS BY GENDER (BBVA GROUP. NUMBER)

	2022			2021		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain	2,731	1,430	1,301	1,133	476	657
Mexico	11,908	6,213	5,695	10,567	5,700	4,867
Turkey	2,863	1,321	1,542	2,377	1,075	1,302
South America	4,750	2,095	2,655	3,226	1,562	1,664
Rest	254	170	84	713	321	392
Total	**22,506**	**11,229**	**11,277**	**18,016**	**9,134**	**8,882**
Of which new hires are (1):						
Spain	1,748	1,021	727	259	170	89
Mexico	3,214	1,785	1,429	2,323	1,301	1,022
Turkey	2,537	1,148	1,389	2,366	1,070	1,296
South America	3,024	1,546	1,478	1,953	1,105	848
Rest	204	139	65	685	303	382
Total	**10,727**	**5,639**	**5,088**	**7,586**	**3,949**	**3,637**

(1) Including hires through consolidations. Consolidations (changes from temporary to permanent contract that were being included) have been eliminated from 2021.

Development

BBVA has worked on the definition of a transversal model of organizational roles with a global job architecture and a definition of homogeneous competency requirements for comparable functions in the Group. Based on this model, BBVA has launched different important initiatives, including the following:

- The "Opportunity" tool, which allows employees to explore new opportunities for growth in the Group, providing a personalized experience.
- “Open Mentoring”, which helps employees develop their skills, acquire new knowledge and ideas, as well as expand their network of contacts within BBVA, and where the figure of the mentor is very important by sharing their knowledge and experience. The initiative has more than 1,000 relationships in 2022.
- “Coaching”, with more than 300 internal coaches who have supported the growth of more than 480 BBVA Group employees.

In 2022, BBVA has continued to promote internal mobility, where the percentage of vacancies filled with internal candidates stood at 60.0% in 2022 (56.7% in 2021) and continues to demonstrate its commitment to the global policy of prioritizing Internal versus external talent. Talent recruitment activity has been steady throughout the year.

Training

BBVA's training model gives employees a leading role in their own development and provides them with the autonomy to decide their learning pathways providing them the means to decide their learning itinerary for themselves and how to grow professionally.

The solidity and level of implementation of BBVA's training model facilitates anticipating and the possibility of responding in an agile manner to the ever-changing training needs of the BBVA Group, its areas, countries and employees.

In order to ensure that employees have the necessary knowledge to be able to face the transformation challenges in which the Bank is immersed, not only content generated internally by BBVA professionals has been integrated into the training catalogue, but also current content from external specialists of international prestige. In addition, it has been necessary to establish innovative digital learning methodologies that adapt to the needs of each employee and enable continuous learning through the Group's training platform.

This platform provides employees with access to more than 20,000 training resources: MOOCs (Massive Open Online Courses), podcasts, videos, blogs, communities of practice, portals structured according to areas of knowledge, simulators, etc.; specific experiences aimed at specialized technical profiles and links to external training platforms of recognized prestige worldwide; or courses offered by leading educational institutions.

As a result, BBVA continues to stand out and is a benchmark for its ability to innovate and generate training solutions that reinforce a learning culture in which online training is part of the employee's day-to-day life and their professional growth and development. In the last 4 years, more than 72% of training was conducted online and in 2022 it was 73%.

BBVA has a strategic knowledge framework that is structured into 4 large groups: 1) Business, 2) Technology and Data, 3) Operations, Processes and Internal Control, 4) Agile and Leadership; which in turn contain up to 14 types of specific knowledge that are made available to the employee through the "The Camp" platform. In 2022, the drive for "The Camp" has intensified as the accelerator that allows the incorporation of the strategic skills that employees need to advance with the "up/reskilling" that they require depending on the position they occupy or the projection they want to have in his carrer.

Over the course of the year, the topics related to sustainability, cybersecurity, data, Agile, design and behavioral economics have had the participation of more than 27,588 professionals who have completed 340,000 hours of training, and all with an average satisfaction rate of 4.8 (out of 5).

Specifically, and related to the Sustainability strategic priority, in 2022 more than 61,000 employees participated in the various training initiatives related to this topic by completing more than 66,000 hours of training. Likewise, more than 488 employees have passed the EFPA-ESG (European certifier) and ISF1 certifications from IASE (international certifier).

In addition, internal/external certifications have continued to play a leading role in training initiatives and have accompanied the business transformation process, allowing the incorporation of the knowledge and skills that drive the BBVA Group's strategy.

The basic training data for 2022 and 2021 are shown below:

BASIC TRAINING DATA (BBVA GROUP)

	2022	2021
Total investment in training (millions of euros)	42.1	36.0
Investment in training per employee (euros) (1)	364	326
Hours of training per employee (2)	43.7	44.8
Employees who have received training (%)	97.8	97.9
Satisfaction with the training (rating out of 10)	9.7	9.5
Average participations per employee (3)	31.9	30.8
Amounts received from FORCEM for training in Spain (millions of euros)	1.3	1.5

(1) Ratio calculated considering the Group´s workforce at the end of each year (115.675 in 2022 and 110,432 in 2021).

(2) Ratio calculated considering the workforce of BBVA with access to the training platform.

(3) Ratio calculated by dividing the number of total training resources completed divided by the number of unique employees with some resource completed. Ratio calculated considering the total number of BBVA staff with access to the training platform.

The data on training in 2022 and 2021 are collected in the following tables:

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. 2022)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Management team (1)	4,992	3,310	1,682	165	106	59
Managers	38,070	19,135	18,935	1,895	987	908
Rest of employees	70,028	31,157	38,871	2,959	1,269	1,690
Total	**113,090**	**53,602**	**59,488**	**5,018**	**2,362**	**2,656**

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

(1) The management team includes the highest range of the Group´s management.

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. 2021)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Management team (1)	4,673	3,134	1,539	192	124	68
Managers	37,001	18,368	18,633	1,770	886	884
Rest of employees	66,468	29,274	37,194	2,990	1,242	1,748
Total	**108,142**	**50,776**	**57,366**	**4,952**	**2,252**	**2,700**

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

(1) The management team includes the highest range of the Group´s management.

AVERAGE NUMBER OF TRAINING HOURS [(1)] BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. 2022)

	Total	Male	Female
Management team [(2)]	32.0	30.9	34.1
Managers	49.3	51.0	47.5
Rest of employees	41.1	39.5	42.3

[(1)] Total number of training hours provided to employees divided by the number of employees.

[(2)] The management team includes the highest range of the Group´s management

EMPLOYEE TRAINING (BBVA GROUP. NUMBER, PERCENTAJE)

	2022		2021	
	Number	%	Number	%
Investment in training as a percentage (%) of payroll [(1)]		0.97		0.91
Effectiveness of the training and development through increased revenue, productivity gains, employee engagement and/or internal hire rates [(2)]	368.52		355.92	

[(1)] Investment in training / Wages and salaries.

[(2)] Human Capital Return on Investment; a. Total Revenue (EUR) - Gross Margin; b. Total Operating Expenses (EUR)- Administration Expenses; c. Total training related expenses (EUR); d. Resulting HC ROI (a - (b-c)) / c.

Diversity, inclusion and different capacities

At BBVA, diversity and inclusion are firmly aligned with its purpose and consistent with its values. BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its customers. Diversity is addressed in a comprehensive manner with a special focus on gender diversity[15], LGTBI+ diversity, generational diversity and the integration of people with different abilities.

BBVA takes a further step toward gender equality and sets a target of 35% women in management positions by 2024, after having already achieved the goal set for this year of reaching 40% of women on the Board of Directors by the end of the year. This measure is a step forward in the commitment to promote equal opportunities and contributes to increasing the number of women in positions of responsibility. In order to meet these objectives, the following actions have been implemented:

- Talent management: The Talent Map allows to identify female talent with the capacity to take on new responsibilities in the short and medium term, prioritizing them in the different T&C processes.
- Changes to processes: facilitate the professional growth of women through programs such as the implementation of the Rooney Rule, which ensures that an appropriate percentage of women reach the final stages of the selection process.
- Internal and external visibility of BBVA's female role models: through programs such as Women@BBVA or BBVA Tech Women, which promote the exposure of BBVA employees in the media and at events.
- Promotion of family co-responsibility and labor flexibility through awareness campaigns and increased parental leave in some geographical areas.

BBVA works jointly with the Employee Resource Groups (hereinafter ERGs), which are internal work groups launched and managed on their own initiative by the employees, which promote diversity and encourage professional relationships between people with common interests. Various ERGs have been created in various geographical areas with which they cooperate when identifying the needs of collaborators and launching impact initiatives.

The Group has protocols for prevention and action against sexual harassment in the main geographical areas in which it is present, expressly stating BBVA's rejection of any behavior of a sexual nature or connotation that has the purpose or has the effect of attacking against the dignity of a person and undertake to apply this agreement as a solution to prevent, detect, correct and penalize this type of conduct within the company. Likewise, the BBVA Code of Conduct, applicable to the entire Group, expressly mentions the Group's null acceptance of this type of conduct and its efforts to eradicate it.

In terms of gender diversity, in 2022 and 2021[16] women accounted for:

- 40.0% of the board members of BBVA, S.A., (33.3% in 2021).
- 22.2% of Senior Management (22.2% in 2021)[17].
- 33.5% of management positions (32.9% in 2021), which would be 39.6% if all branch managers were considered as part of the management team (39.5% in 2021).
- 59.1% of the business and profit generation positions (57.4% in 2021).
- 30.7% of STEM (Science, Technology, Engineering and Mathematics) positions (30.2% in 2021).

[15] BBVA, S.A. in Spain has an equality plan in force since 2010. This plan specifies aspects that will guarantee real and effective equality between women and men.

[16] The data published in 2022 differs from those published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[17] This category corresponds to Management level I. The Management Level is an organizational attribute that aggregates and aligns different categories of roles within the organization for homogeneous analysis in the Group.

- 25.3% of Middle Management positions (25.2% in 2021)[18].
- 34.0% of Junior Management positions (33.4% in 2021)[19].

The distribution by age and gender of the Board of Directors and Senior Management for 2022 and 2021 is shown in the following tables[20].

DISTRIBUTION OF MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT BY AGE STAGES (BBVA GROUP. PERCENTAGE)

	2022				2021			
	<30	30-39	40-49	≥50	<30	30-39	40-49	≥50
Board of Directors	—	—	6.7	93.3	—	—	6.7	93.3
Senior Management	—	—	33.3	66.7	—	—	33.3	66.7

DISTRIBUTION OF MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT BY GENDER (BBVA GROUP. PERCENTAGE)

	2022		2021	
	Male	Female	Male	Female
Board of Directors	60.0	40.0	66.7	33.3
Senior Management	77.8	22.2	77.8	22.2

With regard to LGTBI+ diversity, BBVA has implemented various measures to ensure open and prejudice-free work environments. In Spain, BBVA holds the presidency of the Business Network for LGTBI Diversity and Inclusion (REDI for its acronym in Spanish), the first business association in Spain created to promote an inclusive and respectful environment in organizations; in Colombia, BBVA received the Friendly Blitz certification that recognizes it as a friendly entity with the LGTBI+ community; and in Argentina, BBVA formed a strategic alliance with the organization Contratá Trans to implement a project for the labor insertion of transgender people. Similarly, in 2022, BBVA has published and shared internally an awareness and accompaniment guide for trans employees, a manual to facilitate and raise awareness of gender transition and a guide on family diversity.

BBVA has expressed its commitment to the social integration of individuals with different abilities. It has an ERG related to different abilities which organizes talks to raise awareness of this issue. There are numerous initiatives in all the geographical areas to boost the inclusion of people with different abilities, such as grants to students and programs for the incorporation of people with different abilities, with the collaboration of specialized organizations and companies, as well as educational centers and universities. In Spain, a pilot program in collaboration with the Adecco Foundation for the incorporation of people with intellectual disabilities into the workforce has been launched, and the collaboration with the Specialisterne Foundation has continued, through which people with Asperger's syndrome are incorporated into different roles in the organization. In Mexico, together with the BBVA Foundation, the BBVA "Chavos que inspiran" (Youth who inspire) scholarship was extended to support disabled students with a vulnerable socioeconomic profile. In the last two school years, the Bank has supported 532 students with disabilities and also launched the first call center trained to serve visually impaired customers, being pioneers in Mexico in offering this service.

As of December 31, 2022, BBVA had 645 people with different abilities on the Group's staff (589 in 2021), of whom 358 are located in Turkey, 183 in Spain, 54 in Mexico, 41 in South America and 9 in Portugal.

Lastly, the Group has been carried out initiatives to promote ethno-cultural diversity and generational diversity in different geographical areas. In relation to generational diversity, in Spain, BBVA promoted the creation of the Added Value Awards, in collaboration with the Transforma Foundation, whose objective is to recognize those individuals who have contributed with their work and merits in the educational, scientific, technical, cultural, social and business areas to highlight the value of senior talent in Spain, especially if their greatest achievement has been reached in their senior years. BBVA has also carried out various awareness campaigns through volunteering. As in the other areas of diversity, BBVA has an ERG for generational inclusion.

With regard to ethno-cultural diversity, BBVA has carried out various awareness campaigns through volunteering. In Spain, collaboration with Acnur, Rescate Foundation and Entreculturas Foundation is noteworthy; and in Colombia, the agreement with the National Learning Service (SENA for its acronym in Spanish), a government entity linked to the Ministry of Labor and whose main purpose is to train young people belonging to Colombia's ethnic groups, continues to be implemented. In addition, a project has been launched internally to promote the professional development of BBVA employees belonging to an ethnic group.

In 2022, BBVA has held the third edition of "Diversity Days", internal conferences to promote diversity, inclusion and equity in the workforce through activities, conferences and events throughout a week, in addition to delving into in projects promoted by the bank around the world in this matter, and where Mexico was the host country. Within the framework of the "Diversity Days", the bank has presented its Diversity Policy to the staff, a general guide for action that makes respect for difference, and therefore diversity, a fundamental axis in the strategy of the Group.

BBVA has been included for the fifth consecutive year in the Bloomberg Gender Equality Index, a ranking that includes the world's companies with the best practices in gender diversity.

[18] This category corresponds to Management level II.
[19] This category corresponds to Management level III.
[20] For the purposes of diversity calculations, executive directors have been included both in the calculation of the Board of Directors and Senior Management.

Regarding the Employee Engagement Survey, regarding the question “BBVA always values diversity”, for yet another year, BBVA exceeds the score of the previous year, obtaining a score of 4.64 out of 5, above 4.53 of the financial year 2021.

In Spain, BBVA obtained the 3rd extension of the Equality Badge in the Company granted by the Ministry of Equality for a duration of 3 years. With this, the Bank's commitment to Equal Opportunities between men and women is recognized, with measures that promote productivity and the reconciliation between work and free time, dissemination and awareness measures in the entity and in society as a whole. among which the actions to give greater visibility to women who occupy positions of responsibility in the organization stand out, as well as those initiatives that promote female vocations in STEM careers. BBVA received the "Top LGTB+ Diversity Company" award by the Intrama consultancy for his initiatives in favor of LGTBI+ people. The Family-Responsible Company certificate is also maintained.

Main employee metrics

In order to continue advancing in the transformation, during 2022 the Group has implemented important organizational and technological initiatives -including the use of a new technological platform for employee management that has come into operation in the second half of 2022- that give rise to to changes in the internal structure, impacting on the axes of grouping of the reported information.

To facilitate the comparison of the 2022 data with that reported in the 2021 Management Report, the 2021 information is presented based on the new criteria[21].

The concepts impacted by the new criteria are described below:

- Professional Categories. In order to align the information structure with the employee data generated by the new technological platform implemented in the Group, to align it with what is observed in the information on employees presented by other competitors and because a new model of transversal roles that allow us to have a global and comparable vision of the positions in the Group, BBVA establishes 3 professional categories that replace those presented in 2021, as follows: Management Team, Managers and Rest of Employees.
- Age ranges. With the aim of aligning the information structure with the best practices observed in the market, BBVA establishes 4 age tranches that also represent, to a greater extent, the idiosyncrasy of all the Group's employees, as follows: <30 years; 30-39 years ; 40-49 years ; ≥50 years.

[21] Tables affected by changes to these criteria have a general note in the footer.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA GROUP)

	2022			2021		
	Number of employees	**Male**	**Female**	**Number of employees**	**Male**	**Female**
Spain	25,945	12,798	13,147	24,843	12,185	12,658
Mexico	43,511	21,082	22,429	40,243	19,157	21,086
Turkey [(1)]	21,684	9,528	12,156	21,523	9,371	12,152
South America	23,149	10,699	12,450	22,519	10,436	12,083
Argentina	5,869	3,149	2,720	5,852	3,117	2,735
Bolivia	466	175	291	468	180	288
Brazil	6	2	4	6	2	4
Colombia	6,678	2,819	3,859	6,741	2,812	3,929
Chile	767	363	404	714	340	374
Cuba	1	1	—	1	1	—
Peru	6,985	3,190	3,795	6,394	3,025	3,369
Uruguay	573	308	265	579	307	272
Venezuela	1,804	692	1,112	1,764	652	1,112
Rest	1,386	818	568	1,304	760	544
Germany	43	28	15	41	27	14
Belgium	21	13	8	22	13	9
China	27	6	21	28	6	22
South Korea	2	1	1	2	1	1
United Arab Emirates	2	1	1	2	1	1
The United States	368	254	114	295	201	94
France	68	45	23	66	42	24
Hong Kong	93	56	37	90	54	36
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
Italy	52	29	23	52	30	22
Japan	4	3	1	4	3	1
Portugal	427	216	211	440	221	219
United Kingdom	128	86	42	118	80	38
Singapore	15	5	10	12	4	8
Switzerland	120	69	51	117	71	46
Taiwan	12	4	8	11	4	7
Total	**115,675**	**54,925**	**60,750**	**110,432**	**51,909**	**58,523**

(1) Includes Garanti Group employees in all geographic areas.

PROMOTED EMPLOYEES BY GENDER (BBVA GROUP)

	2022			2021		
	Number of promoted employees	**Male**	**Female**	**Number of promoted employees**	**Male**	**Female**
Spain	3,092	1,463	1,629	3,976	1,945	2,031
Mexico	7,406	3,685	3,721	13,377	6,463	6,914
Turkey	2,755	1,122	1,633	2,530	1,128	1,402
South America	2,567	1,070	1,497	3,543	1,723	1,820
Rest	187	129	58	1,551	681	870
Total	**16,007**	**7,469**	**8,538**	**24,977**	**11,940**	**13,037**

In 2022, the number of promoted employees has returned to pre-pandemic levels as 2021 was a year where, in general terms, part of those not carried out in 2020, due to the COVID-19 pandemic, accumulated.

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA GROUP. AGE AND PERCENTAGE)

	2022					2021				
	Average age	<30	30-39	40-49	≥50	Average age	<30	30-39	40-49	≥50
Spain	43.9	6.5	19.4	49.6	24.5	43.8	4.4	22.2	51.4	22.0
Mexico	34.4	33.3	43.5	15.4	7.8	34.1	35.3	41.7	15.3	7.8
Turkey	35.4	22.0	45.9	27.5	4.6	36.1	21.6	48.6	25.9	3.9
South America	38.0	24.1	36.2	23.0	16.8	38.3	23.1	35.9	24.0	17.1
Rest	44.7	10.0	21.2	31.8	37.1	45.2	7.8	21.6	33.5	37.1
Total	**37.6**	**23.1**	**36.8**	**27.1**	**13.1**	**37.7**	**22.9**	**37.2**	**27.5**	**12.5**

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

AVERAGE LENGTH OF SERVICE BY GENDER (BBVA GROUP. AGE)

	2022			2021		
	Total	Male	Female	Total	Male	Female
Spain	16.3	15.8	16.7	17.1	16.8	17.2
Mexico	6.5	6.0	6.9	6.8	6.4	7.1
Turkey	10.0	10.0	9.9	9.8	9.9	9.8
South America	10.2	10.6	9.8	11.4	11.8	11.0
Rest	11.8	11.1	12.8	13.0	12.3	14.0
Total	**10.1**	**10.0**	**10.3**	**10.7**	**10.6**	**10.7**

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. PERCENTAGE)

	2022			2021		
	On the total number of employees	Male	Female	On the total number of employees	Male	Female
Spain						
Management team [(1)]	6.7	70.6	29.4	6.3	70.9	29.1
Managers	37.5	53.9	46.1	37.8	53.7	46.3
Rest of employees	55.9	43.7	56.3	55.9	43.4	56.6
Mexico						
Management team [(1)]	3.1	66.1	33.9	3.0	67.6	32.4
Managers	30.6	55.9	44.1	31.0	54.3	45.7
Rest of employees	66.3	44.2	55.8	66.0	43.5	56.5
Turkey						
Management team [(1)]	4.0	60.4	39.6	4.0	61.2	38.9
Managers	39.1	36.7	63.3	39.7	37.3	62.7
Rest of employees	57.0	47.8	52.3	56.4	46.7	53.3
South America						
Management team [(1)]	3.9	61.6	38.4	3.9	62.6	37.4
Managers	27.8	50.3	49.7	28.2	49.4	50.6
Rest of employees	68.2	43.7	56.3	67.9	44.1	55.9
Rest						
Management team [(1)]	21.3	77.0	23.1	20.4	77.1	22.9
Managers	37.5	62.7	37.3	38.7	61.6	38.4
Rest of employees	41.2	46.4	53.6	40.9	45.8	54.2
Group average						
Management team [(1)]	4.5	66.5	33.5	4.3	67.1	32.9
Managers	33.3	50.3	49.7	33.8	49.5	50.5
Rest of employees	62.3	44.6	55.4	61.9	44.2	55.8

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[(1)] The management team includes the highest range of the Group´s management.

BBVA offers a part-time work modality in countries such as Spain, Argentina and Colombia.

EMPLOYEES DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA GROUP. PERCENTAGE)

	2022			2021		
	On the total number of employees	Male	Female	On the total number of employees	Male	Female
Spain						
Permanent employee. Full-time	94.7	51.2	48.8	94.8	50.8	49.2
Permanent employee. Part-time	4.1	8.3	91.7	3.6	8.8	91.2
Temporary employee	1.2	39.1	60.9	1.6	39.2	60.8
Mexico						
Permanent employee. Full-time	91.4	47.9	52.1	93.2	47.2	52.8
Permanent employee. Part-time	—	66.7	33.3	—	60.0	40.0
Temporary employee	8.6	54.0	46.0	6.8	52.7	47.3
Turkey						
Permanent employee. Full-time	99.5	43.9	56.1	99.6	43.5	56.5
Permanent employee. Part-time	0.1	7.7	92.3	—	—	—
Temporary employee	0.4	59.3	40.7	0.4	51.2	48.8
South America						
Permanent employee. Full-time	88.3	47.7	52.3	88.9	47.3	52.7
Permanent employee. Part-time	4.2	39.6	60.4	5.0	42.1	57.9
Temporary employee	7.5	32.1	67.9	6.1	36.3	63.7
Rest						
Permanent employee. Full-time	99.1	59.1	40.9	99.1	58.5	41.5
Permanent employee. Part-time	0.4	50.0	50.0	0.6	37.5	62.5
Temporary employee	0.5	57.1	42.9	0.3	25.0	75.0
Group average						
Permanent employee. Full-time	93.2	48.0	52.0	94.0	47.4	52.6
Permanent employee. Part-time	1.8	23.3	76.8	1.9	27.3	72.7
Temporary employee	5.1	46.8	53.2	4.1	46.5	53.5

General note: permanent part-time employees include full-time contracts with reduced hours.

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACTS AND AGE STAGES (BBVA GROUP, PERCENTAGE)

	2022					2021				
	On the total number of employees	<30	30-39	40-49	≥50	On the total number of employees	<30	30-39	40-49	≥50
Spain										
Permanent employee. Full-time	94.7	6.1	18.6	49.6	25.7	94.8	3.7	21.5	51.8	23.0
Permanent employee. Part-time	4.1	0.6	33.9	61.5	4.0	3.6	0.1	36.7	60.2	3.0
Temporary employee	1.2	66.9	28.1	3.7	1.3	1.6	56.4	33.9	8.5	1.3
Mexico										
Permanent employee. Full-time	91.4	30.4	44.9	16.4	8.4	93.2	33.1	42.6	16.1	8.3
Permanent employee. Part-time	—	33.3	33.3	33.3	—	—	—	20.0	60.0	20.0
Temporary employee	8.6	64.3	28.8	5.5	1.5	6.8	65.4	29.8	4.2	0.6
Turkey										
Permanent employee. Full-time	99.5	22.0	45.9	27.5	4.6	99.6	21.5	48.7	25.9	3.9
Permanent employee. Part-time	0.1	15.4	15.4	23.1	46.2	—	—	—	—	—
Temporary employee	0.4	38.4	46.5	10.5	4.7	0.4	46.6	41.4	8.6	3.5
South America										
Permanent employee. Full-time	88.3	20.2	37.9	24.3	17.6	88.9	19.9	37.8	25.0	17.4
Permanent employee. Part-time	4.2	19.5	22.7	29.4	28.4	5.0	15.2	22.7	30.9	31.2
Temporary employee	7.5	72.4	23.4	3.3	1.0	6.1	75.9	19.4	3.8	0.9
Rest										
Permanent employee. Full-time	99.1	9.7	21.2	31.8	37.4	99.1	7.6	21.8	33.4	37.3
Permanent employee. Part-time	0.4	—	16.7	66.7	16.7	0.6	—	—	75.0	25.0
Temporary employee	0.5	71.4	28.6	—	—	0.3	75.0	25.0	—	—
Group average										
Permanent employee. Full-time	93.2	21.0	37.5	27.9	13.7	94.0	21.2	37.8	28.1	12.9
Permanent employee. Part-time	1.8	9.7	28.5	46.1	15.8	1.9	8.4	28.8	44.1	18.7
Temporary employee	5.1	66.4	27.4	4.8	1.4	4.1	67.3	27.3	4.6	0.9

General notes:
1.The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".
2. Permanent part-time employees include full-time contracts with reduced hours.
3. Breakdown prepared with data at the end of the year.

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND AGE STAGES (BBVA GROUP. PERCENTAGE)

	2022					2021				
	On the total number of employees	<30	30-39	40-49	≥50	On the total number of employees	<30	30-39	40-49	≥50
Spain										
Management team (1)	6.7	0.2	4.9	51.8	43.1	6.3	—	6.2	55.6	38.2
Managers	37.5	0.9	17.2	60.2	21.7	37.8	1.3	19.6	61.3	17.9
Rest of employees	55.9	11.1	22.6	42.2	24.1	55.9	7.1	25.8	44.3	22.9
Mexico										
Management team (1)	3.1	1.2	31.9	35.8	31.2	3.0	1.0	29.6	37.5	31.9
Managers	30.6	23.5	47.4	19.4	9.8	31.0	25.5	45.9	19.2	9.4
Rest of employees	66.3	39.3	42.3	12.6	5.8	66.0	41.4	40.3	12.4	5.9
Turkey										
Management team (1)	4.0	—	24.2	53.4	22.4	4.0	—	27.1	52.5	20.4
Managers	39.1	2.5	50.4	42.0	5.1	39.7	3.0	54.4	38.7	4.0
Rest of employees	57.0	37.0	44.3	15.7	3.1	56.4	36.3	46.0	15.0	2.7
South America										
Management team (1)	3.9	0.7	21.2	45.1	33.0	3.9	1.0	21.6	44.3	33.1
Managers	27.8	12.4	38.3	30.7	18.6	28.2	12.9	36.6	31.6	19.0
Rest of employees	68.2	30.2	36.2	18.5	15.1	67.9	28.6	36.4	19.6	15.4
Rest										
Management team (1)	21.3	—	8.1	44.8	47.1	20.4	0.4	10.9	44.4	44.4
Managers	37.5	4.8	29.2	34.4	31.5	38.7	5.9	28.9	34.9	30.3
Rest of employees	41.2	19.8	20.7	22.6	37.0	40.9	13.1	20.1	26.8	40.0
Group average										
Management team (1)	4.5	0.5	18.3	46.3	35.0	4.3	0.5	18.9	47.8	32.9
Managers	33.3	11.0	38.6	36.8	13.5	33.8	11.8	39.4	36.6	12.2
Rest of employees	62.3	31.1	37.2	20.5	11.3	61.9	30.4	37.3	21.1	11.2

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

(1) The management team includes the highest range of the Group´s management.

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND TYPE OF CONTRACT (BBVA GROUP. NUMBER)

	2022			2021		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Spain						
Management team [(1)]	1,720	7	—	1,569	4	—
Managers	9,584	132	—	9,267	124	—
Rest of employees	13,277	926	299	12,710	779	390
Mexico						
Management team [(1)]	1,349	1	9	1,206	3	3
Managers	12,778	1	547	11,837	1	645
Rest of employees	25,658	1	3,167	24,479	1	2,068
Turkey						
Management team [(1)]	858	1	2	846	1	5
Managers	8,472	—	1	8,539	—	—
Rest of employees	12,255	12	83	12,016	13	103
South America						
Management team [(1)]	849	60	—	806	74	—
Managers	6,201	204	37	6,047	280	26
Rest of employees	13,392	709	1,697	13,169	764	1,353
Rest						
Management team [(1)]	293	2	—	265	1	—
Managers	515	2	3	504	1	—
Rest of employees	565	2	4	523	6	4
Group average						
Management team [(1)]	5,069	71	11	4,692	83	8
Managers	37,550	339	588	36,194	406	671
Rest of employees	65,147	1,650	5,250	62,897	1,563	3,918

General notes:
1.The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".
2. Permanent part-time employees include full-time contracts with reduced hours.
3. Breakdown prepared with data at the end of the year.

[(1)] The management team includes the highest range of the Group's management.

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND TYPE OF CONTRACT (BBVA GROUP. PERCENTAGE)

	2022			2021		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Spain						
Management team (1)	99.6	0.4	—	99.8	0.3	—
Managers	98.6	1.4	—	98.7	1.3	—
Rest of employees	91.6	6.4	2.1	91.6	5.6	2.8
Mexico						
Management team (1)	99.3	0.1	0.7	99.5	0.3	0.3
Managers	95.9	—	4.1	94.8	—	5.2
Rest of employees	89.0	—	11.0	92.2	—	7.8
Turkey						
Management team (1)	99.7	0.1	0.2	99.3	0.1	0.6
Managers	100.0	—	—	100.0	—	—
Rest of employees	99.2	0.1	0.7	99.0	0.1	0.9
South America						
Management team (1)	93.4	6.6	—	91.6	8.4	—
Managers	96.3	3.2	0.6	95.2	4.4	0.4
Rest of employees	84.8	4.5	10.7	86.2	5.0	8.9
Rest						
Management team (1)	99.3	0.7	—	99.6	0.4	—
Managers	99.0	0.4	0.6	99.8	0.2	—
Rest of employees	99.0	0.4	0.7	98.1	1.1	0.8
Group average						
Management team (1)	98.4	1.4	0.2	98.1	1.7	0.2
Managers	97.6	0.9	1.5	97.1	1.1	1.8
Rest of employees	90.4	2.3	7.3	92.0	2.3	5.7

General notes:
1.The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".
2. Permanent part-time employees include full-time contracts with reduced hours.
3. Breakdown prepared with data at the end of the year.

(1) The management team includes the highest range of the Group's management.

In 2021, the average annual number of full-time indefinite contracts[22], part-time indefinite contracts and temporary contracts was 93.7%, 1.8% y 4.5%, respectively. (2020: 94.1%, 1.6% and 4.3%, respectively). In absolute terms, the annual average for 2022 was 105,908 full-time permanent contracts, 2,043 part-time permanent contracts and 5,080 temporary contracts (in 2021, 109,409 1,888 and 4,988, respectively).

[22] Permanent part-time employees include full-time contracts with reduced hours.

DISCHARGE OF EMPLOYEES BY DISCHARGE TYPE AND GENDER (BBVA GROUP. NUMBER)

	2022			2021 [2]		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain						
Retirement and early retirement	187	117	70	623	379	244
Voluntary redundancies	7	5	2	31	13	18
Resignations	423	272	151	349	230	119
Dismissals	44	28	16	37	24	13
Others [1]	904	385	519	4,578	2,044	2,534
Mexico						
Retirement and early retirement	298	149	149	233	135	98
Voluntary redundancies	174	101	73	364	232	132
Resignations	2,963	1,483	1,480	3,460	1,726	1,734
Dismissals	1,605	893	712	2,016	1,009	1,007
Others [1]	668	381	287	1,104	572	532
Turkey						
Retirement and early retirement	126	55	71	155	73	82
Voluntary redundancies	83	42	41	370	167	203
Resignations	1,610	675	935	1,627	674	953
Dismissals	5	3	2	7	5	2
Others [1]	871	389	482	616	293	323
South America						
Retirement and early retirement	29	13	16	11	8	3
Voluntary redundancies	195	105	90	799	412	387
Resignations	2,194	957	1,237	1,567	750	817
Dismissals	678	304	374	358	180	178
Others [1]	928	403	525	1,030	474	556
Rest						
Retirement and early retirement	29	14	15	21	3	18
Voluntary redundancies	4	2	2	4	1	3
Resignations	97	72	25	1,039	501	538
Dismissals	13	8	5	37	19	18
Others [1]	29	16	13	10,333	4,281	6,052
Total Group	**14,164**	**6,872**	**7,292**	**30,769**	**14,205**	**16,564**
Retirement and early retirement	669	348	321	1,043	598	445
Voluntary redundancies	463	255	208	1,568	825	743
Resignations	7,287	3,459	3,828	8,042	3,881	4,161
Dismissals	2,345	1,236	1,109	2,455	1,237	1,218
Others [1]	3,400	1,574	1,826	17,661	7,664	9,997

[1] Others include permanent termination and death. In 2021, it includes the withdrawals from the sale of BBVA in the USA and BBVA in Paraguay.

[2] Include employee departures derived from the sale of the BBVA companies in the USA and BBVA Paraguay and the ERE in Spain.

DISMISSALS BY PROFESSIONAL CATEGORY AND AGE STAGES (BBVA GROUP. NUMBER)

	2022					2021				
	Total	<30	30-39	40-49	≥50	Total	<30	30-39	40-49	≥50
Spain										
Management team [(1)]	9	—	—	1	8	6	—	—	—	6
Managers	3	—	—	1	2	4	—	1	1	2
Rest of employees	32	3	13	10	6	27	3	8	12	4
Mexico										
Management team [(1)]	21	—	5	9	7	4	—	—	1	3
Managers	704	218	378	80	28	89	3	33	36	17
Rest of employees	880	357	385	104	34	1,923	701	866	279	77
Turkey										
Management team [(1)]	—	—	—	—	—	—	—	—	—	—
Managers	—	—	—	—	—	—	—	—	—	—
Rest of employees	5	—	5	—	—	7	1	5	1	—
South America										
Management team [(1)]	16	—	—	7	9	18	—	2	7	9
Managers	229	19	59	68	83	79	1	24	23	31
Rest of employees	433	92	124	82	135	261	93	96	35	37
Rest										
Management team [(1)]	3	—	—	1	2	1	—	—	—	1
Managers	4	—	1	1	2	2	—	1	—	1
Rest of employees	6	—	3	—	3	34	10	12	5	7
Total Group	**2,345**	**689**	**973**	**364**	**319**	**2,455**	**812**	**1,048**	**400**	**195**
Management team [(1)]	49	—	5	18	26	29	—	2	8	19
Managers	940	237	438	150	115	174	4	59	60	51
Rest of employees	1,356	452	530	196	178	2,252	808	987	332	125

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[(1)] The management team includes the highest range of the Group´s management.

VOLUNTARY RESIGNATIONS (TURNOVER) [(1)] AND BREAKDOWN BY GENDER (BBVA GROUP. PERCENTAGE)

	2022			2021		
	Total workforce turnover	Male	Female	Total workforce turnover	Male	Female
Spain	1.7	64.3	35.7	1.2	65.9	34.1
Mexico	7.1	50.1	50.0	9.4	49.9	50.1
Turkey	7.4	41.8	58.2	7.4	41.4	58.6
South America	9.6	43.6	56.4	6.8	47.9	52.1
Rest	7.2	74.2	25.8	8.7	48.6	51.4
Total	**6.6**	**47.4**	**52.6**	**6.5**	**48.3**	**51.7**

[(1)] Resignations= [Resignations (excluding early retirement)/Average number of employees] * 100

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND NATIONALITY (BBVA GROUP. PERCENTAGE)

	2022			2021		
	Management team	Managers	Rest of employees	Management team	Managers	Rest of employees
Spain	34.9	25.2	19.9	33.0	24.6	19.7
México	25.7	34.5	40.0	24.9	33.4	38.8
Turkey	16.2	21.7	16.9	17.3	22.6	17.5
South America [(1)]	17.7	17.0	22.1	19.4	17.6	22.8
Rest	5.5	1.6	1.1	5.5	1.8	1.3

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[(1)] Includes Central America

SIGNED CONTRACTS BY AGE (BBVA GROUP. NUMBER)

	2022					2021				
	Total	**<30**	**30-39**	**40-49**	**≥50**	**Total**	**<30**	**30-39**	**40-49**	**≥50**
Spain	2,731	1,133	998	465	135	1,133	414	368	271	80
Mexico	11,908	6,475	4,340	844	249	10,567	6,269	3,244	810	244
Turkey	2,863	2,040	667	121	35	2,377	1,577	650	127	23
South America	4,750	2,725	1,612	334	79	3,226	2,116	848	217	45
Rest	254	87	75	56	36	713	331	202	109	71
Total	**22,506**	**12,460**	**7,692**	**1,820**	**534**	**18,016**	**10,707**	**5,312**	**1,534**	**463**
Which new entries are [(1):]										
Spain	1,748	864	654	184	46	259	113	106	35	5
Mexico	3,214	1,586	1,298	250	80	2,323	1,026	728	403	166
Turkey	2,537	1,772	636	103	26	2,366	1,633	590	119	24
South America	3,024	1,449	1,215	295	65	1,953	1,020	701	193	39
Rest	204	78	61	39	26	685	322	194	102	67
Total	**10,727**	**5,749**	**3,864**	**871**	**243**	**7,586**	**4,114**	**2,319**	**852**	**301**

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[(1)] Including hires through consolidations. Consolidations (changes from temporary to permanent contract that were being included) have been eliminated from 2021.

TOTAL TURNOVER RATE [(1)] AND DISTRIBUTION BY GENDER (BBVA GROUP. PERCENTAGE)

	2022			2021 [(2)]		
	Total employee turnover rate	**Male**	**Female**	**Total employee turnover rate**	**Male**	**Female**
Spain	8.5	9.0	8.0	11.0	10.9	11.0
México	21.1	23.3	18.9	22.8	25.7	20.2
Turkey	12.8	13.0	12.5	11.8	12.1	11.6
South America	19.2	19.8	18.7	14.6	15.3	14.0
Rest	15.9	16.6	15.0	20.4	21.4	19.6
Total	**16.2**	**17.4**	**15.2**	**16.2**	**17.4**	**15.2**

[(1)] Total turnover rate = ((total hires + discharges for the year)/(average number of employees*2))*100

[(2)] The turnover rates exclude employee departures derived from the sale of the BBVA companies in the USA and BBVA Paraguay.

TOTAL TURNOVER RATE [(1)] AND DISTRIBUTION BY AGE (BBVA GROUP. PERCENTAGE)

	2022					2021 [(2)]				
	Total	**<30**	**30-39**	**40-49**	**≥50**	**Total**	**<30**	**30-39**	**40-49**	**≥50**
Spain	8.5	61.1	16.2	3.2	3.5	11.0	35.0	9.4	4.8	20.0
México	21.1	34.1	18.1	10.1	9.6	22.8	37.5	17.8	11.5	10.0
Turkey	12.8	32.8	8.6	4.3	8.3	11.8	28.3	8.3	4.8	11.5
South America	19.2	42.5	18.4	8.2	8.1	14.6	35.7	11.9	5.7	7.5
Rest	15.9	53.1	20.7	10.7	9.7	20.4	54.6	26.5	13.1	8.5
Total	**16.2**	**37.0**	**15.7**	**5.8**	**6.6**	**16.2**	**35.7**	**13.4**	**6.6**	**13.5**

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[(1)] Total turnover rate = ((total hires + discharges for the year)/(average number of employees*2))*100

[(2)] The turnover rates exclude employee departures derived from the sale of the BBVA companies in the USA and BBVA Paraguay.

The general increase in the turnover rate of employees under 30 years of age in 2022 in Spain is explained by the hiring of new profiles linked mainly to the Engineering and Sustainability areas and the support of the group of older people in the digitization process .

Working environment

BBVA continues to make progress in its transformation process, anticipating and redefining the aspects which are key for motivating and protecting its teams, and making it easier for them to work together. Below are the actions and/or policies implemented by the Group around work conditions and employee rights, the work/life balance as well as occupational health and safety.

Work organization

As a further step in the process of cultural transformation and, specifically, in the ways of working based on flexibility, responsibility and trust in people, in 2022 the Group has implemented the flexible work model for those functions in which is feasible.

As one of the strategic priorities is to have the best and most committed team, BBVA has decided to definitively implement the flexible work mode that began as a result of the pandemic, with a general model that consists of working a minimum of 60% of the working day in person and a maximum of 40% remotely, although there are adaptations to this model motivated, among other issues, by the local legislation of each country or by the type of function carried out.

This work model is voluntary and, in general, reversible both for BBVA and for the employee, requiring a minimum notice to exercise the reversibility that can range, depending on the country, between 10 and 30 days.

To maintain closer communication that facilitates closeness between people and the integration of teams, although there is flexibility to specify the days of remote work, the teams coordinate to meet in person.

Digital disconnection

The right to digital disconnection is included in the internal regulations and policies of each country unit and recognized as a fundamental element for achieving better organization of working time to respect private and family life, to improve the balance between personal, family and working life and to contribute to the optimization of workers' occupational health.

During 2022, different initiatives have been launched and communicated at a global level related to digital disconnection, such as promoting that no emails are sent or meetings are set up after certain hours in the afternoon, or during weekends and holidays. Additionally, setting up meetings should be avoided one afternoon a week in order to spend that time planning tasks.

Maternity and paternity leave

BBVA is committed to the well-being of its employees, completing and expanding the benefits established at the local level in the main geographical areas where it is present, as follows:

In Spain, during maternity or paternity leave, BBVA supplements benefits up to 100% of normal salary and extends from half an hour to one hour the reduction in working hours provided for by law for the care of the lactating infant up to the age of 9 months.

In Mexico and Colombia, BBVA has extended the leave available for the birth of a child by 20 working days and 10 working days, respectively, in addition to the days under local legislation.

In Turkey, mothers who return to work after maternity leave have two hours a day of lactation leave until the child reaches the age of one year. They can use up this leave daily, combine the hours in one day's leave a week, or combine all the hours and prolong their maternity leave by approximately one month. Mothers can also choose to extend their maternity leave with unpaid leave. With respect to paternity leave, the Group has extended paid paternity leave by five extra days, in addition to the five days legally established.

In Argentina, BBVA has extended paternity leave by 30 calendar days for employees, and in the case of a premature birth, the mother has the right to paid leave for the same number of days as the birth was premature. Moreover, in the case of a birth or adoption of a child with a disability, the paternity and maternity leave is extended by 60 calendar days.

In Uruguay, BBVA has extended paternity leave by 3 working days, in addition to the 10 under law; and maternity leave has been extended by 22 calendar days, which combined to the 98 days under law, makes a total of 120 calendar days. In addition, mothers may choose different forms of remote working for a period of 6 months after their return to work.

PARENTAL LEAVE (BBVA GROUP. NUMBER, PERCENTAGE)

	2022			2021		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Number of employees who have been entitled to parental leave	1,592	2,121	3,715	1,898	2,505	4,403
Number of employees who have taken parental leave	1,516	2,085	3,603	1,807	2,377	4,184
Number of employees who have returned to work in the reporting period after finishing their parental leave	1,643	1,863	3,506	1,753	2,137	3,890
Number of employees who have returned to work after finishing their parental leave and who were still employed 12 months after returning to work	1,130	1,174	2,304	1,326	2,162	3,488
The return-to-work rates of employees who took parental leave	99.0	97.9	98.4	97.0	90.0	93.0

The data on parental leave for the geographical areas indicated above corresponds to the information provided by Argentina, Bolivia, Chile, Colombia, Spain, Mexico, Peru, Portugal, Turkey, Uruguay and Venezuela.

The retention rate for employees taking parental leave in Spain in 2022 was 87%, with 88% for men and 85% for women (in 2021, 90%, 91% and 89% respectively).

Additionally, BBVA makes available to its employees the possibility of taking certain leaves to care for family members for health reasons, with varying degrees of coverage depending on the particularities of legislation and local public systems. In Spain, for example, there exists a range of licences/leaves that can be used for this purpose with different degrees of remuneration, as well as specific financial aid.

Freedom of association and representation

In accordance with the different regulations in force in the countries in which BBVA is present, the working conditions and the rights of the employees, such as freedom of association and union representation, are included in the rules, collective conventions and agreements signed, in their case, with the corresponding union representatives. Dialogue and negotiation are part of how to address any dispute or conflict within the Group, for which there are specific procedures for consultation with trade union representatives across different countries, including the issues concerning labor health and safety.

In Spain, employee representatives are elected every four years by personal, free, direct and secret suffrage and are informed of any relevant changes that may occur in the organization of work in the Bank under the terms of the legislation in force. The banking industry collective agreement is applied to 100% of the workforce (except for members of senior management), supplemented by employer-specific collective agreements which build upon and improve the provisions of the sector-wide agreement, and which are entered into with union representatives.

In Mexico and Peru, the collective bargaining agreement regulates the working conditions of 100% of unionized workers. In BBVA Mexico in 2022, on the occasion of the 2019 reform to the Federal Labor Law, the union with representation in the Bank carried out a process to legitimize the collective bargaining agreement. Unionized workers voted voluntarily, freely, secretly, personally and directly on the continuity or not of the collective bargaining agreement governing labor relations at the Bank. The proceedings concluded with 95% of votes in favor of continuing with the same collective bargaining agreement and the union that represents it. In both countries, non-unionized workers' terms of employment are regulated by individual employment contracts and internal company policies on compensation and benefits. Thus, the working conditions of 100% of the workforce in both countries are regulated.

In Argentina, Uruguay, Portugal and Venezuela, 100% of the workforce is covered by the collective bargaining agreement (except for members of senior management). Fluid communication is maintained with the internal union committees at the local level and with the sections of the banking association at the national level.

In Colombia, there are two types of collective bargaining agreements that regulate working conditions, which together cover 100% of the workforce. The 'Convención Colectiva' is the agreement between the Bank and unionized employees, while the 'Pacto Colectivo' is the agreement between the Bank and non-unionized employees. Both groups of employees maintain a fluid and direct dialogue with the Bank.

In Turkey, Chile and Bolivia, there is no union representation. Therefore, employees' working conditions are applied in accordance with the terms of their employment contracts and the Bank's internal policies.

Occupational safety and health

BBVA considers the promotion of occupational health and safety to be one of its core principles and key goals, which is addressed through the continuous improvement of working conditions.

Occupational risk prevention

The Group's occupational risk prevention model is regulated by the local regulations, conventions and agreements of the geographical areas where BBVA is present. For example, in Spain it is governed by the Occupational Risk Prevention Law or the collective agreement on occupational health for the consultation and participation of BBVA workers in matters of occupational risk prevention; in Peru it does so by national legislation in relation to the approval of the evaluation of the Occupational Safety and Health policy and the Internal Regulation of Occupational Safety and Health; and in Mexico it does the same through the Political Constitution of the United Mexican States, the Federal Labor Law, Regulations and the Official Mexican Standards. In all cases, employees have the right to consult and participate in these areas that are exercised and developed through union representation or stakeholders in the different existing committees, on which the consultations are exposed and the matters pertaining to safety and health at work are handled.

BBVA has preventive policies in Spain that affect 100% of the workforce of all companies and are carried out by the Occupational Risk Prevention Service, as well as a collective agreement in which the instruments for worker participation are articulated in this matter. Likewise, there are corresponding government bodies for its proper management: a State Health and Safety Committee, Health and Safety Committees of Large Centers and Territorial Prevention Delegates, who meet quarterly.

The Group develops this policy through an Occupational Risk Prevention Management System that allows risks to be identified and evaluated; establish the criteria, methods and resources that ensure the effectiveness of the management system; obtain and analyze the information on the results in this area; as well as the implementation of actions that ensure the results and improve the processes and the system. This Occupational Risk Prevention Management System complies with the requirements of the OSHAS 18001:2007 standard and is in the process of being adapted to ISO 45.001, which adopts a proactive approach in risk assessment.

As a cornerstone of this system, BBVA has an Occupational Risk Prevention Plan, which integrates the company's preventive activity into its general management system and establishes its occupational risk prevention policy implemented in annual planning with specific objectives of action in this matter. Among these actions, BBVA includes: occupational risk assessments; specific evaluation of psychosocial risks; evaluations of especially sensitive personnel and pregnant personnel; specific technical reports; training and information to workers; preparation and implementation of self-protection plans and emergency manuals; safety inspections, accident investigation and communication; actions for the coordination of business activities of works and services; health surveillance through medical examinations; preventive health campaigns; health examination satisfaction surveys.

To this end, the prevention service is divided into two lines of action:

- Technical-preventive, in which the Group carries out systematic evaluations of occupational risks and psychosocial evaluations from which the corresponding action plans are derived, detailing those responsible and deadlines, and ensuring their implementation. Likewise, it is responsible for carrying out and implementing emergency and evacuation plans, for training in safety matters. Additionally, BBVA carries out a continuous coordination of business activities (CAE) with the companies and their external personnel who attend the Group's work centers with the support of a documentary exchange platform, establishing an activity coordination procedure for works and another for services.
- Occupational medicine through which the Group has the following objectives: monitor the health of workers by carrying out medical examinations; protect especially sensitive employees; assess medical records; adapt workstations with specific ergonomic material; carry out preventive activities and campaigns with the aim of maintaining and improving the health of workers and contributing to the control of risk factors and the promotion of healthy habits, as well as the development of a preventive culture.

The BBVA Prevention Service monitors the measures implemented. At the same time, and with the aim that prevention is integrated into the set of activities and at all hierarchical levels, the Bank in Spain has a periodic verification of the system, carried out by an independent auditor, where a systematic, documented and objective assessment of the effectiveness of the occupational risk prevention system. For said certification, the independent audit performs selective tests of the supporting evidence of the risk assessment carried out, the organization, the procedures and preventive practices established and the results obtained, being the results favorable and highly qualified.

In the case of other companies in Spain, such as OPPlus, it also has a preventive policy that affects 100% of the workforce whose management is carried out through a mixed model, formed by its own Occupational Risk Prevention Service, with assumption of the Occupational Safety and Ergonomics and Psychosociology specialties and the External Prevention Service with the company Quirón prevention with assumption of the Health Surveillance and Industrial Hygiene specialties.

In Mexico, in addition to the Health and Safety Committee (called the Safety and Hygiene Commission) based on the Official Mexican Standard, BBVA has a Committee whose objective is to analyze the different medical cases of prolonged disabilities or with possible determination of states of disability. The areas of Medical Service, Labor Relations, T&C, among others, participate in said Committee. In 2022, in Mexico, BBVA has established improvements to the NOM-035 Standard compliance tool (psychosocial risk factors).

In other countries such as Peru, Colombia, Uruguay, Chile and Venezuela, BBVA also has a structure of Health and Safety committees that respond to local needs.

Employee training in occupational safety and health

In coordination with the Training area, BBVA plans a range of training actions on Occupational Risk Prevention to raise awareness and provide employees with the knowledge they need to carry out their work safely. Online courses are available for all the workforce through the E-Campus platform and attendance-based courses are given by highly specialized trainers from external entities, with specialists from the Prevention Service also taking part in the training of some groups.

BBVA Occupational Risk Prevention Training Plan includes courses such as: training in occupational safety, health and welfare; advanced ORP training; first aid courses; defibrillator handling courses (in workplaces equipped with them); psychosocial courses (Personal Risk Situations for new arrivals, initial support and hold-up protocol); specific emergency training courses for emergency teams; contingency exercises for emergency management; practical fire courses for Personal Protective Equipment (PPE) and emergency management; road safety courses; intercompany training for supervisors of external personnel; sleep hygiene training and workshops; training in emotional wellbeing (anxiety management, emotional self-control, balance, wellbeing and happiness, etc.); training in musculoskeletal prevention (preventive training); training in healthy dietary habits.

Courses are online or face-to-face. The modality varies depending on the subject to be covered, and the duration of each course is different depending on the content to be taught on the topic. Training is free of charge and provided during working hours.

In Group companies such as OPPlus and Next Technologies, and in countries such as Argentina, Peru, Colombia or Venezuela, BBVA also makes available to its employees a wide range of training in occupational safety and health through specific courses on the following topics: psychological first aid, food and nutrition, cardiopulmonary resuscitation and defibrillator management, health care and breastfeeding, etc.

Health at work

Health check-ups

BBVA has carried out the medical examinations in accordance with internal protocols, complying with the requirements of the Occupational Risk Prevention Law in Spain. In 2022, for BBVA, S.A., the Group has summoned more than ten thousand people to carry out the medical examination. It has also carried out the ergonomic procedures to adapt the workplace to the worker's pathology. With regard to pregnant employees, BBVA has medically and ergonomically assessed more than 140 requests made by employees who have communicated their status according to the established protocol.

In addition, the Group has implemented a new application that makes it possible to manage medical and nursing care appointments online. With this new functionality of the Medical Service, BBVA adapts to the new flexible ways of working while allowing more efficient management of its services.

Health campaigns

In 2022, BBVA has carried out different health campaigns, in which the following can be highlighted:

- Spain: the smoking cessation campaign, which includes the platform "Improve your health by quitting smoking"; flu vaccination campaign; prevention of skin cancer and heat stroke; breast cancer prevention that included various initiatives and conferences; stroke prevention through the implementation of a web page with information on the early detection of warning signs of stroke, control of risk factors, as well as videos and conferences on this cerebrovascular disease; Food and nutrition; diverse informative documents like the one of the smallpox of the monkeys; blood donation campaigns, etc.
- Mexico: oncological, metabolic and visual preventive campaigns.
- In other countries, BBVA has also carried out health campaigns. For example, in Colombia a culture of self-care has been created through mindfulness or the Activate program (physical and cognitive breaks), Chile has focused on stress control and emotional management, Uruguay annually performs preventive check-ups on 100% of the workforce and it offers benefits that allow top-level medical care for employees and their families, Argentina stands out for its extensive training offer and its anti-smoking prevention campaigns, among others, and Venezuela has a comprehensive health center.

Health and well-being program

BBVA continues to work to improve the well-being of its employees, so in 2022, and as part of the “Wellbeing” “Work Better / Enjoy Life” concept, it has implemented a Health and Well-being program throughout the Group with two large pillars: Mind and Body, giving conferences with prestigious specialists, and holding workshops and courses on sleep hygiene and emotional management.

Occupational health website

The Occupational Health Portal is a tool of great importance in communication with workers and the provision of all relevant information on occupational health and occupational risk prevention, which during 2022 has been made available globally. This initiative is part of BBVA's commitment to promote health and safety at work and aims to be the reference communication and information platform in this area.

The information on this portal is structured into eight large blocks to which the connection to the “coronavirus” Portal is linked, which are: healthy work environment (with the new inclusion on teleworking); healthy lifestyle; prevention of pathologies; procedures to follow in work accidents, medical examinations, pregnancy, etc.; road safety; "Woman, your health is your best gift", with specific preventive information for women at all stages; health conferences; risk assessment and emergency measures. Likewise, the portal contains additional information on first aid, defibrillators, actions in case of emergency, etc.

During this year, BBVA has also developed and linked to the portal two new web pages on the following preventive activities:

- Eye prevention, which includes preventive recommendations and visual training exercises.
- Information on teleworking implemented in the entity, on specific risks and their prevention, evaluation forms, recommended exercises in teleworking, etc. (protected with the entry into force of Law 10/21 of July 9 in Spain).

Cardioprotected spaces

BBVA has proceeded to renew the defibrillators installed at BBVA in Spain, where there are currently a total of 25, located in the main work centers, in order to adapt to the new Regulations on defibrillators and cardioprotected spaces. The handling of the defibrillator and knowledge of basic life support are part of the first aid training integrated into the course on emergency measures aimed at PPE's.

OCCUPATIONAL HEALTH (BBVA, S.A. NUMBER)

	2022	2021
Technical-preventive actions	56,159	22,149
Number of preventive actions to improve working conditions	56,668	22,352
Employees represented in health and safety committees (%)	100	100
Abseentism rate (%)	4.1	3.4

TECHNICAL-PREVENTIVE ACTIONS (BBVA GROUP)

	2022	2021
Spain	62,311	25,502
Mexico	43,314	40,384
Colombia	5,580	7,168
Argentina	2,476	2,710
Peru	156	3,919
Venezuela	84	24
Uruguay	471	414
Turkey	483	427

PREVENTIVE ACTIONS TO IMPROVE WORK CONDITIONS (BBVA GROUP)

	2022	2021
Spain	61,103	23,930
Mexico	43,314	40,384
Colombia	1,898	866
Argentina	4,509	5,939
Peru	168	21
Venezuela	59	128
Uruguay	471	414
Turkey	462	494

In Spain, technical preventive procedures and preventive actions have been increased in 2022 to improve working conditions, once the restriction on activity caused by the COVID-19 pandemic has been overcome in 2021.

Below are the data on absenteeism for 2022 and 2021:

VOLUME AND ABSENTEEISM TYPOLOGY OF EMPLOYEES (BBVA GROUP)

	2022			2021		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Number of withdrawn	42,380	14,350	28,030	46,489	17,700	28,789
Number of absenteeism hours (1)	3,748,259	1,208,512	2,539,747	4,443,907	1,492,708	2,951,199
Number of accidents with medical withdrawn	281	87	194	167	56	111
Frequency index (%) (2)	1.4	0.9	1.9	0.9	0.6	1.1
Severity index (%) (3)	2.6	1.7	3.4	2.9	2.1	3.5
Incidence rate (%) (4)	2.5	1.6	3.2	1.5	1.1	1.9
Absenteeism rate (%) (5)	1.9	1.3	2.5	2.4	1.7	3.0

(1) Total hours of sick leave or accident in the year.

(2) Work accident frequency rate (%): number of accidents with medical leave x 1,000,000 / number of hours worked.

(3) Severity/seriousness index (%): number of days lost due to work accidents and common illness x 1000 / divided by number of hours worked.

(4) Incidence rate (%): number of accidents with sick leave x 1000 / divided by number of workers.

(5) Absenteeism rate (%): number of hours lost due to illness -except maternity- and work accident / divided by number of total hours) x 100.

COVID-19 pandemic

During 2022, BBVA has continued to manage the COVID-19 pandemic at a global level. Together with the Communication area, the specific platform on the coronavirus has been updated to provide information to BBVA employees globally.

Within the action plan for managing the pandemic in Spain, BBVA maintains the following action protocols:

- Monitoring of the CDC (Center for Disease Control and Prevention), ECDC (European Center for Disease Prevention and Control), World Health Organization (WHO) and Ministry of Health.
- Action protocol for BBVA workers / New coronavirus (COVID-19) Guidelines for BBVA Employees and following updates: action protocol in the event of a confirmed case: protocol on what to do if you are considered a close contact and quick guide to action against COVID-19 .

Likewise, the Area of Occupational Medicine has continued with the integration of all the Occupational Health information of the workers in the OHS application, with the aim of unifying all the information of the employees in the same tool for better coordination and efficiency of the activities that are the responsibility of both Areas.

In Mexico, BBVA organized vaccination campaigns against the SARS-CoV-2 virus, in collaboration with the Ministry of National Defense (SEDENA), for workers and their families.

Work-related injuries

In the Group, a total of 281 work accidents with medical leave were registered in 2022 (167 in 2021), none of which were fatal, the same as in 2021.

At BBVA S.A. In Spain, a total of 89 work accidents were registered in 2022 (114 in 2021), of which 27 were with medical leave (41 in 2021) and 62 without medical leave (73 in 2021), data that represents a low occupational accident rate, with indices below the sector. The main types of injuries in accidents with sick leave are sprains and strains, superficial injuries and foreign bodies in the eyes, and closed fractures. Most internal personnel accidents are in itinere (that is, going to or coming back from work), the rest being due to falls.

The severity index for labor accidents of BBVA, S.A. stood at 0.04 in 2022 (same data as in 2021), while the frequency rate stands at 0,76 (compared to 0.89 in 2021).

In BBVA Group, no cases of occupational disease were recorded among internal staff.

Remuneration

BBVA has a General Remuneration Policy, which applies to all Group employees, including BBVA's Senior Management - with the exception of BBVA's executive directors - (the "BBVA Group General Remuneration Policy") and a BBVA Directors' Remuneration Policy, both designed within the framework of the specific regulations applicable to credit institutions, considering the best practices and recommendations in remuneration matters both locally and internationally.

These Policies are based on the same principles and are oriented toward the recurrent generation of value for the Group, the alignment of the interests of its employees and shareholders with prudent risk management and the implementation of the strategy defined by the Group. The Remuneration Policies are part of the elements devised by the Board of Directors as part of BBVA's Corporate Governance System to foster proper management and supervision in the Group. It is based on the following principles: long-term value creation; the achievement of results based on prudent and responsible risk assumption; attraction and retention of the best professionals; remuneration for the level of responsibility and professional record; secure internal equity and external competitiveness; guaranteeing equal remuneration for men and women; and ensuring the transparency of the model of remuneration.

These principles are specified in the Policies:

- They contribute to BBVA Group’s business strategy and to the achievement of the goals, values, interests, value creation and long-term sustainability.
- They are compatible and promote sound and effective risk management, not offering incentives to encourage taking risks that exceed the level tolerated by the Group, consistently with the risk strategy and culture of BBVA Group.
- They are clear, comprehensible, transparent and simply drafted, allowing easy understanding of the different elements that make up the remuneration and conditions for its concession, vesting and payment. To this end, they clearly distinguish between the criteria for establishing fixed remuneration and variable remuneration.
- They are impartial in terms of gender, reflecting an equal remuneration for the same functions or functions of equal value, and does not establish any difference or discrimination for reasons of gender.
- They include measures to avoid conflicts of interest, encouraging independence of criteria of people who participate in the decision-making process and management supervision and control, and establishing remuneration schemes.
- They seek a remuneration not based exclusively on quantitative criteria, also taking into account appropriate qualitative criteria that reflect compliance with applicable regulations.

The remuneration system generally applicable to all BBVA Group staff comprises the following:

- A fixed remuneration, comprising a relevant part of the total remuneration, which takes into account the level of responsibility, the functions performed, and the career path of each employee, as well as the principles of internal equity and the value of the function in the market, being a relevant part of the total remuneration.
- A variable remuneration constituted by those payments or benefits additional to the fixed remuneration, whether monetary or not, that are based on variable parameters. This remuneration must be linked, in general, to the achievement of previously specified objectives. All employees have a corporate variable remuneration model, which is complemented by sales incentive models, tailor-made for specific groups of business areas. In all cases, financial and non-financial indicators are defined for the Group, which are aligned with strategic priorities and serve as management parameters to determine the payment of variable remuneration based on the degree of compliance with BBVA's strategy.

In 2022, the level of achievement of the Group's indicators was 129%, based on the results obtained for each of the financial and non-financial indicators. The level of achievement of the Group's financial indicators for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (AVR) (MEASUREMENT PERIOD 2022) (BBVA GROUP. 2022) - FINANCIAL INDICATORS

Annual Evaluation Financial Indicators	Weight (%) (1)	Results 2021 (2)	Results 2022 (3)	Target 2022 (4)	Level of achievement (%)
Net Attributable Profit without corporate transactions (millions of euros)	10	5,028	6,381	4,661	150
Tangible Book Value per share (TBV per share) (euros) (5)	10	6.55	7.64	7	115
RORC (%)	10	14.03	15.26	13	150
Efficiency Ratio (%)	10	45.51	43.23	45	131
Gross margin (million euros)	10	—	24,890	20,182	150

(1) Fixed weight for the 2022 Annual Variable Remuneration of the BBVA Group staff, with the exception of executive directors.

(2) Results approved for incentive purposes (not including the results generated until June 2021 by BBVA USA and the rest of the companies sold to PNC, nor the impact of BBVA's restructuring plan in Spain).

(3) Results approved for incentive purposes (does not include the impact generated by the takeover bid in Turkey or by the office repurchase operation in Spain).

(4) The targets for the 2022 annual evaluation indicators were set above the consensus of analysts at that time and were in line with the existing economic outlook: (i) negative interest rates in the Eurozone and slightly rising in most emerging countries in which the Group is present; (ii) low levels of activity, as a consequence of supply problems in the production and distribution chains; and (iii) depreciation of emerging currencies against the Euro, impacting both the Attributable Result in current euros and profitability.

(5) For TBV per share there are two targets: one linked to growth (budget target) and the other linked to value creation, which is the one used for incentive purposes (shown in the table). In 2022, the budget target is 6.80 euros per share.

For non-financial indicators, the Group's level of achievement for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (AVR) (MEASUREMENT PERIOD 2022) (BBVA GROUP. 2022) - NON-FINANCIAL INDICATORS					
Annual Evaluation Non-financial Indicators	**Weight (%) [1]**	**Results 2021**	**Results 2022**	**Target 2022 [2]**	**Level of achievement (%)**
Customer satisfaction (IReNe)	10	101	108	—	108
Mobilization of sustainable financing (million euros)	10	30,615	40,643	32,146	150
Digital sales	10	99	110	—	110
Target customers	10	115	111	—	111
Transactional linking of company clients	10	129	112	—	112

[1] Fixed weight for the 2022 Annual Variable Remuneration of the BBVA Group staff, with the exception of executive directors.

[2] The IReNe financial indicators, digital sales, target customers and transactional linkage of business customers, do not have a target at Group level, the targets are established at country level. The achievement of the Group for said indicators will be calculated as the average weighted by the operating income of the achievements obtained by the countries.

In 2022, as in 2021, among the non-financial indicators used to calculate the Annual Variable Remuneration of all employees, BBVA includes the Mobilization of sustainable financing indicator, directly associated with the activity carried out by the Group to comply with the commitments assumed with the market in terms of climate change and that reinforces the commitment so that BBVA achieves its sustainable development objectives.

As of 2023 and bound to the approval of the corresponding corporate bodies, the BBVA Directors Remuneration Policy and the BBVA Group General Remuneration Policy are expected to include, as part of the Annual Variable Remuneration of the members of the identified group, including executive directors and members of the Senior Management of BBVA, a long-term incentive linked, among other things, to the degree of compliance with the decarbonisation objectives of a series of sectors for which the Bank publishes specific objectives.

Average remuneration

Below are the tables with the average remuneration of the employees of the BBVA Group as a whole and, individually, of the employees of BBVA, S.A. located in Spain, and employees located in Mexico, Turkey, Colombia, Peru, Argentina, Venezuela, Chile and Uruguay:

AVERAGE REMUNERATION [1] BY PROFESSIONAL CATEGORY, AGE STAGES AND GENDER (BBVA GROUP. EUROS)						
	2022			**2021**		
	Management team [2]	**Managers**	**Rest of employees**	**Management team [2]**	**Managers**	**Rest of employees**
< 30 years						
Male	49,048	16,116	12,173	47,744	12,200	8,968
Female	31,453	12,878	9,741	34,108	10,036	7,387
30-39 years						
Male	69,249	26,562	16,525	59,494	22,254	14,194
Female	56,767	20,547	13,933	47,093	17,409	12,331
40-49 years						
Male	96,086	40,443	25,141	84,398	36,800	23,287
Female	80,785	33,153	25,992	66,488	29,033	24,543
≥ 50 years						
Male	127,994	48,465	32,265	109,817	44,163	29,900
Female	95,507	41,022	31,022	83,182	36,314	28,379

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[1] Considering fixed remuneration.

[2] This Group does not include the BBVA Top Management.

AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY [1] AND GENDER (EUROS)

	2022			2021		
	Management team[2]	**Middle controls**	**Rest of employees**	**Management team[2]**	**Middle controls**	**Rest of employees**
Spain (BBVA,S.A.)						
Male	114,195	53,624	42,019	108,176	52,085	42,911
Female	102,720	49,224	39,783	94,794	47,489	39,837
Mexico						
Male	92,296	24,186	10,931	78,565	19,634	8,744
Female	69,518	21,374	9,990	57,110	16,934	8,139
Turkey						
Male	71,884	19,002	15,406	51,155	13,958	10,520
Female	56,845	15,162	13,662	37,533	10,807	9,177
Colombia						
Male	69,713	24,457	11,619	72,154	23,898	11,507
Female	46,199	20,955	10,383	46,431	21,410	10,507
Peru						
Male	95,032	26,520	15,024	73,229	21,237	13,325
Female	63,868	21,448	10,523	50,997	17,693	9,754
Argentina						
Male	93,034	39,234	25,542	56,839	30,453	19,805
Female	72,319	32,926	22,275	51,650	25,646	17,732
Venezuela						
Male	1,871	950	598	295	188	122
Female	2,192	874	555	299	172	113
Chile						
Male	104,740	36,860	14,149	85,594	30,279	12,051
Female	81,214	28,190	10,962	68,537	24,574	9,896
Uruguay						
Male	120,363	64,691	48,046	64,824	38,793	28,585
Female	109,489	51,356	44,179	73,449	27,764	26,205

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

[1] Considering fixed remuneration.

[2] This Group does not include the BBVA Top Management.

The differences observed in the average remuneration of some professional categories derive from factors such as seniority, and the varied composition of the same, which are not representative of the wage gap. The average remuneration of each category is influenced by aspects such as the different distribution of men and women in the most valued positions or the greater proportion of women in countries with lower average remunerations.

In general, the increases in average remuneration are due to generalized salary increases aimed at offsetting the high inflation rates in most of the geographical areas where the BBVA Group operates. These increases have not been offset by the depreciation of local currencies, which has been less than the inflation rate in most of the Group's geographical areas, and has even appreciated in countries such as Mexico, Peru, Uruguay or Chile.

In the case of executive directors and other members of BBVA Senior Management who held their positions on December 31, 2022, the information on their remuneration is included in Note 54 of the accompanying Consolidated Financial Statements. The remuneration paid to executive directors is individualized and itemized, while for the other members of Senior Management the amounts are presented as an aggregate. The average total remuneration of Senior Management (excluding executive directors) in 2022 was €2,185 thousand for men and €1,841 thousand for women.

Wage gap

The BBVA Group's General Remuneration Policy is impartial in terms of gender, reflecting an equal remuneration for the same functions or functions of equal value, and does not establish any difference or discrimination for reasons of gender. The remuneration model takes into account the level of responsibility, the functions carried out and the professional career of each employee, ensuring internal equity and external competitiveness, as well as equal remuneration for men and women.

The pay equity ratio or gross pay gap by professional category is obtained from the above average remuneration tables. The ratio is expressed as a percentage, and calculated as the difference in total average remuneration between men and women with the same professional category, over the total average remuneration of men. However, this ratio does not reflect equal remuneration for the same functions or functions of equal value and, therefore, the adjusted salary gap is shown below.

BBVA's remuneration model defines certain job positions on which remuneration pivots. Each of these positions has a unique theoretical value determined according to different factors, such as the level of responsibility, the complexity of the function, the impact on results, etc. Similarly, each position has a unique value linked to the achievement of previously established objectives.

The adjusted salary gap compares the total remuneration received by men and women in equal positions in the Group.

For each of the previously described positions, BBVA calculates the median of the total remuneration received by all the men and women who occupy said positions. BBVA calculates the adjusted salary gap for the position as the percentage resulting from dividing the difference between the median salaries of men minus the median salaries of women by the median salaries of men. BBVA Group's adjusted salary gap is calculated as the weighted average of the gaps obtained in each of the positions.

The total remuneration considered includes the fixed remuneration and the objective annual variable performance-linked remuneration (target bonus). BBVA doesn't include in the calculation items such as allowances, social benefits, etc. as their amount is very unrepresentative within the total remuneration of employees, and whose award criteria and amounts are clearly defined, not discriminating between men and women.

Based on 2022 and 2021 data, the adjusted salary gap is as follows[23]:

WAGE GAP (PERCENTAGE)

	2022	2021
Spain (BBVA,S.A.)	3.6	3.6
Mexico	(0.6)	(0.6)
Turkey	(0.1)	(0.7)
Colombia	0.6	0.6
Peru	1.1	0.4
Argentina	3.0	2.6
Venezuela	(1.2)	(0.9)
Chile	(0.5)	(1.9)
Uruguay	1.8	2.4
BBVA Group	**0.7**	**0.6**

Additional information related to remuneration

Annual total compensation ratio

BBVA calculates the annual total compensation ratio for BBVA, S.A. employees located in Spain, as well as for employees located in Mexico, Turkey, Colombia, Peru, Argentina, Chile and Uruguay, as the ratio between the total annual compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of the best person paid in each of the geographical areas and the median total annual compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of all employees in the same geographical area, taking full-time annualized remuneration and excluding the highest paid person

[23] The median is used for this calculation, since this statistical indicator is less affected by the presence of biases in the distribution of extreme values and better represents the real situation of the Group.

The annual total compensation ratios for the 2022 and 2021 financial years are as follows:

ANNUAL TOTAL COMPENSATION RATIO

	2022	2021 (1)
Spain (BBVA, S.A.)	130.9	125.9
Mexico	259.5	231.5
Turkey	224.7	222.4
Colombia	116.8	108.7
Peru [2]	113.5	99.8
Argentina	76.3	72.7
Chile	90.4	99.3
Uruguay	7.0	7.7

(1) The 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report since the amount of the variable remuneration has been updated using the final score applied for its calculation.

Ratio of standard entry level wage by gender compared to local minimum wage

The standard initial category is the lowest full-time employment category. In BBVA, this category is established by level and by nature of the function to be performed, and does not distinguish by gender.

The minimum local salary is the minimum legal amount established in each of the geographical areas which each employee has a right to be remunerated for services rendered. It is worth noting that this minimum salary has been assumed as the Living Wage by the international UN body, the International Labor Organization (ILO).

BBVA calculates the salary ratio of the standard initial category as the quotient of the salary of the initial category between the minimum salary in the geographical area.

As shown in the table below, in the main geographical areas where the Group operates, BBVA's entry-level remuneration is higher than the local legal minimum wage in 2022 and 2021:

RATIO OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

	2022		2021	
	Male	Female	Male	Female
Spain (BBVA, S.A.)	1.3	1.3	1.4	1.4
Mexico [1]	1.2	1.2	1.3	1.3
Turkey	1.6	1.6	1.3	1.3
Colombia	2.3	2.3	2.4	2.4
Peru	1.3	1.3	1.3	1.3
Argentina	3.8	3.8	3.7	3.7
Venezuela	2.0	2.0	2.1	2.1
Chile	1.3	1.3	1.5	1.5
Uruguay	3.3	3.3	3.2	3.2

(1) The 2021 data differs from that published in the 2021 Non-Financial Information Report due to additional verifications.

Pensions and other benefits

BBVA has social welfare systems based on the geographical areas and coverage that it offers to the different groups of employees, without gender or personal differences of any other type.. In general, the social welfare system is a defined contribution system for retirement. The Group's Pension Policy is compatible with the Company's business strategy, objectives and long-term interests.

Contributions to the social welfare systems of the employees of the Group will be carried out within the framework of the labor regulations, and of the individual or collective agreements of application in each entity, sector or geographical area. Calculation criteria on which benefits are based (commitments for retirement, death and disability) reflect fixed annual amounts, with no temporary fluctuations derived from variable components or individual results being present.

With regard to other benefits, the Group has a local implementation framework, according to which each entity (in accordance with its sector of activity and the geographical area in which it operates), has a package of employee benefits within its specific remuneration scheme, not establishing differences due to gender or personal aspects of any other kind.

In 2022, the Bank in Spain made a payment of €21.17 (€26m in 2021) in savings contributions to pension plans and life and accident insurance premiums, of which €11.34m corresponded to contributions for men and €9.83m for women (in 2021, €14.3m and €11.7m, respectively). This payment accounts for more than 95% of Spain's pension expenditure, excluding special systems. On average, the contribution received by each employee was €1,032 in 2022 (€1,143 for men and €927 for women), compared with €1,049 in 2021 (€1,186 for men and €918 for women).

2.2.4 Society

BBVA aims to contribute to the inclusive growth of the societies in which it operates. Therefore, it undertakes practices and initiatives that generate positive impacts and reduce negative impacts. This chapter includes:

- Initiatives and social programs to contribute to the development of the societies in which the Group is present.
- The regulatory compliance framework and its management model to ensure that the development of BBVA's activities and businesses are carried out in accordance with current legislation at all times and in accordance with strict standards of ethical behavior.
- BBVA's tax contribution, as well as the principles that guide BBVA in tax matters, its strategy in this area and the Group's tax risk control and management model.
- BBVA's commitment on preventing conducts contrary to respect of the human rights.

Contribution to society

Community Commitment

In the area of contributing to the development of the companies in which the Group is present, BBVA has the Commitment to the Community 2025, through which it will allocate €550m between 2021 and 2025 to social initiatives to support the inclusive growth of these companies. The objective of this plan is that these initiatives reach 100 million people in 2025. Specifically, it will support five million entrepreneurs, it will contribute to the financial education training of two million people and it will help more than three million people to have access to a quality education. This plan is structured around three main areas of action and seeks to contribute to the fulfillment of certain Sustainable Development Goals (SDGs):

- Reduce inequalities and promote entrepreneurship (SDG 8 and 10): includes initiatives that provide access to basic goods and services necessary to improve people's social well-being; training in financial education and digital training to empower the population, improve their financial resilience and promote financial inclusion, employability and digital security. It also includes support for vulnerable entrepreneurs through the activity of the BBVA Microfinance Foundation and other support programs for SMEs and entrepreneurs.
- Create opportunities for all through education (SDG 4): includes programs to reduce the digital education gap, scholarships to support access to quality education, programs to develop values and skills, support programs for higher education and vocational training. It also includes collaboration initiatives with public education systems and the creation of free, quality content that is disseminated through various Group channels, and
- Support research and culture (SDG 9 and 11): includes initiatives to support researchers and creators in the field of science, culture or economy, support for leading cultural institutions and scientific dissemination.

In addition to this commitment, in 2022 BBVA launched a social response plan to Russia's invasion of Ukraine to help alleviate the effects of the humanitarian emergency caused by the war. A donation of €1m was made to support the social organizations UNICEF and UNHCR alongside the launch of a donation campaign in favour of UNICEF, UNHCR, Red Cross and Doctors of the World. This initiative channelled donations from employees, customers and non-customers amounting to €2.37m through the Bizum mobile payments app and bank transfers. In addition, BBVA maintained a line of collaboration with the authorities for the reception and accommodation of refugees in Spain.

In 2022, the BBVA Group earmarked €131.0m for investment in the community (€106.3m in 2021). This figure represents 1.9% of adjusted net attributable profit. Through this contribution, we reached 77.8 million people. Among direct beneficiaries, 2.905.584 entrepreneurs were supported, 855.646 people were trained in financial literacy and 772,366 people participated in educational programs.

BBVA puts this community commitment into practice through its local banks and foundations, as well as supporting other foundations: The following can be highlighted:.

- The BBVA Foundation (hereafter, FBBVA) focuses its activity on generating knowledge. Expanding the frontiers of knowledge is one of the most effective ways to successfully address the problems that affect society today, such as the environment, sustainable development, health, demographic changes, globalization, social integration and innovation with the goal of creating opportunities for society.
- The BBVA Mexico Foundation: focuses its activity on the educational field with a reference program "Chavos que Inspiran" that offers a 10-year accompaniment that transforms the lives of talented and low-income young people from all over the country, allowing these scholarship holders to be the first in their family to finish college, breaking the poverty line and achieving a socioeconomic level that would have taken their family at least 4 generations to reach.
- The BBVA Microfinance Fondation (hereafter, BBVAMF) was established in 2007 by BBVA under the framework of its corporate social responsibility to support vulnerable entrepreneurs. In 2022, for the third consecutive year, BBVAMF was considered the leading foundation in terms of contribution to development in Latin America and second in the world, according to the Organization for Economic Cooperation and Implementation (OECD).

Additionally, in the field of commitment to the community, BBVA develops other relevant initiatives such as volunteer activities, alliances with environmental organizations, support for non-profit entities, the promotion of corporate responsibility through its participation in different working groups. and participation in initiatives (SDG 17) [24].

Below is BBVA's community investment at year-end 2022 and 2021 within the framework of the Community Pledge, by geographical area and corporate foundations:

COMMUNITY COMMITMENT (MILLIONS OF EUROS AND PERCENTAGE)[(1)]

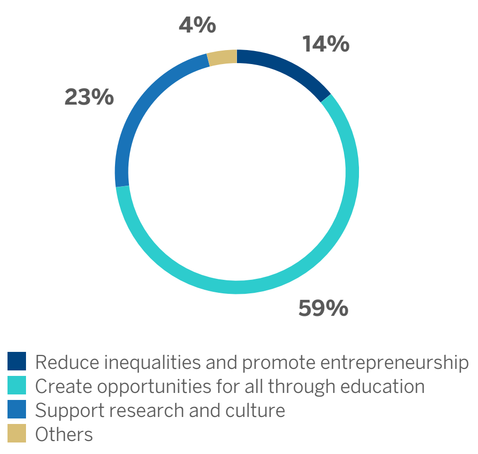
	2022	%	2021	%
Spain and corporate areas	30.4	23	21.0	20
Mexico	60.5	46	48.5	45
Turkey	3.6	3	5.1	5
South America	3.4	3	2.2	2
Foundations	33.1	25	29.4	28
Total	**131.0**	**100**	**106.3**	**100**

[(1)] To calculate the Commitment and the amount of investment in the community 2021-2022, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that offers a measurement framework for social and environmental investment that companies perform beyond their business. In 2022, the amount of investment in the community is broken down as a contribution in money (71,4%), management costs (28,1%), time (0.3%) and kind (0.2%). Likewise, when we analyze the motivation for the contribution in money, this is the breakdown in 2022: 3% punctual contribution, 93% social investment and 4% initiatives aligned with the business.

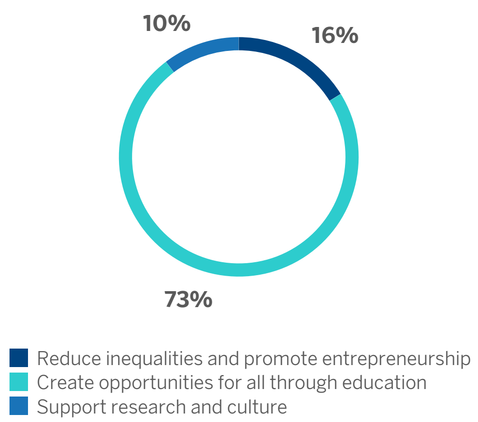
[(2)] Includes the BBVA Foundation and the BBVA Microfinance Foundation.

Below is a breakdown of the investment and beneficiaries (in percentage) of the Commitment to the Community in 2022 by focus of action, which have been described at the beginning of this section:

INVESTMENT OF THE COMMUNITY COMMITMENT BY FOCUS. 2022



BENEFICIARIES OF THE COMMUNITY COMMITMENT BY FOCUS. 2022



Below is a breakdown of the type of beneficiary of the Commitment to the Community in 2022 by focus of action:

[24] More information in the section "Participation in International Initiatives" in the chapter "Report on climate change and other environmental and social issues" of this report.

BENEFICIARIES BREAKDOWN BY TYPE AND FOCUS AREAS (MILLIONS OF PEOPLE)

	Direct beneficiaries (1)		Indirect beneficiaries (2)		Unique users (3)	
Focus area/Type of beneficiary	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Reduce inequalities and promote entrepreneurship	5.4	5.1	7.2	8.4	—	0.3
Create opportunities for all through education	0.8	0.4	0.5	—	55.9	21.9
Support research and culture	2.6	0.3	—	—	5.5	7.9

(1) People who directly participate in the programs and initiatives developed or promoted by BBVA and who therefore receive a direct benefit.
(2) People who are related to the participate in the initiatives and programs promoted and developed by BBVA and who receive an indirect benefit.
(3) People who access free and quality content on various BBVA platforms.

Below are the objectives for 2025 and the progress since 2021 in relation to investment and beneficiaries of the Commitment to the Community by focus of action.

GOALS AND PROGRESS RELATED TO THE COMMUNITY COMMITMENT (1) (MILLIONS OF EUROS AND MILLION PEOPLE)

	Community investment(2)		Beneficiaries(3)	
	2025 Goal	**2021-2022 Progress**	**2025 Goal**	**2021-2022 Progress**
Reduce inequalities and promote entrepreneurship	155	33.2	21.7	15.6
Create opportunities for all through education	215.0	135.6	53.3	34.7
Support research and culture	180.0	57.4	25.0	11.9
Total (4)	**550.0**	**226.2**	**100.0**	**62.1**
Other	—	11.1	—	0.01
Total (5)	**550.0**	**237.2**	**100.0**	**62.2**

(1) and (2) To calculate the Commitment and the amount of investment in the community 2022, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that offers a measurement framework for social and environmental investment that companies do beyond their business. The progress considers the contribution to the community of the years 2021 and 2022 with global scope.

(3) To calculate the Commitment and the number of beneficiaries for 2022, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that offers a framework for measuring the social and environmental investment that companies make beyond their business. The progress considers the net direct beneficiaries of the years 2021 and 2022, the net indirect beneficiaries of the years 2021 and 2022 and the accumulated unique users of the years 2021 and 2022 (considering only 20% of the year 2022).

(4) This total figure shows the investment and beneficiary targets by 2025 under the Community Commitment framework and its 3 focus areas.

(5) This figure includes investment in the community not aligned with the focuses of BBVA's Community Commitment to 2025 and its beneficiaries.

Other contributions to society

In relation to contributions to foundations and non-profit entities[25], the global figure of these contributions in 2022 stood at €19.5m (2021, €19.1m). In 2022, the BBVA Group[26] carried out:

- 192 donations to foundations and non-profit organizations for an amount of €6.8m, including both one-off contributions and those which contribute to social programs.
- 117 contributions (not donations) to foundations and other non-profit social entities for an import of €2.6m.
- 392 contributions, of a non-social nature, to foundations, associations, lobbies, think-tanks and other non-profit entities for an amount of €10.06m.

Volunteer work

In the General Sustainability Policy, BBVA expresses its determination to reinforce its corporate culture of social and environmental engagement, facilitating the conditions for its employees to carry out volunteer work. This policy is applied in all countries in which the Group is present.

The BBVA's corporate volunteer work initiatives promote employee collaboration to generate a relevant social impact, enhance a sense of pride in belonging, its satisfaction and productivity, as well as positioning BBVA as a model company for corporate voluntary work, thus increasing its attractiveness for both existing and potential employees.

To this respect, volunteering is a key element to develop the approaches and lines of work of the Commitment to the Community 2025 (explained in the chapter "Contribution to society" of this report). In fact, the 2030 Agenda for Sustainable Development has explicitly recognized volunteering as a vehicle for sustainable development and volunteer groups as actors to achieve the seventeen SDGs.

In addition, carrying out volunteer activities is aligned with the purpose and values of BBVA.

[25] Information provided in compliance with section IV of the first article of Law 11/2018.
[26] Does not include Turkey.

Overall, 8,637 BBVA employees participated in volunteer initiatives during 2022, having dedicated more than 24,262 hours (81% during working hours and 19% outside working hours). The time dedicated by employees in 2022 is equivalent to a contribution of €429,044.

Compliance and conduct

Code of conduct

The Group is firmly committed to the development of all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict canons of ethical behavior. To achieve this, it has a compliance system, of which the Code of Conduct (published on the BBVA corporate website, www.bbva.com), the internal control model and the Compliance function are fundamental pillars.

The Code of Conduct establishes, for all members of the BBVA Group, the duty to act with integrity and responsibility, respecting applicable laws and regulations, with the prudence and professionalism that corresponds to the trust that customers and shareholders have placed in BBVA.

In February 2022, the Board of Directors approved an update of the BBVA Code of Conduct to align it with new business developments and the environment in which BBVA operates, and meet the expectations of the companies in which the Group is present. The new version of the Code of Conduct was communicated to all BBVA employees and made available to them on the corporate intranet. It was also made available to stakeholders on the corporate website.

In November 2022, and with the aim of reinforcing awareness and knowledge of the Code of Conduct, a new corporate course on the Code of Conduct was published that all BBVA employees must complete. This course incorporates, among other novelties, messages from members of Senior Management on different aspects of conduct to be taken into consideration in the daily activity of BBVA employees, thus showing the commitment and importance that the Bank's Senior Management attaches to maintain a high corporate culture of compliance in the entity (“tone from the top”).

By January 2023, the number of employees who have completed this new Code of Conduct course is 85.329.

In this context, among the tasks carried out in 2022 by the Compliance unit, continuous advice on the application of the Code of Conduct has stood out. Specifically, the Group formally attended to 306 individual queries (Query Channel) of different natures, relating, among other types, to the offer, delivery or acceptance of gifts and/or personal benefits, as well as the assistance and organization of promotional events and leisure (30%). the treatment of conflicts of interest (24%), the selection, hiring and promotion of personnel (14%) or the development of other professional activities (10%).

Compliance

BBVA's Compliance function is a global unit, integrated into the second line of defense, which is entrusted by the Board of Directors with the function of promoting and supervising, independently and objectively, that BBVA acts with integrity, particularly in areas such as prevention of money laundering and financing of terrorism (AML&FT), conduct with clients, conduct in the securities market, prevention of corruption, protection of personal data and other aspects of corporate conduct.

The Compliance function has its own statute, approved by the Board of Directors after analysis by the Risk and Compliance Committee. The statute is reviewed periodically, the last update being in 2021 by the aforementioned corporate bodies to keep it aligned with the external and internal regulatory framework, as well as with changes in the Group's organizational structure and with the tasks and responsibilities of the members. of the function, and also with the expectations of the different stakeholders.

Mission and scope of action

The Compliance Unit is part of the Regulation and Internal Control Area, which is in charge of the second line of defense functions for all the risks to which the group is exposed. To reinforce its independence in the performance of its functions, the Area reports to the Board of Directors through the Risk and Compliance Committee, which supervises its activity on a regular basis, and is also subject to the supervision schemes of the competent authorities in the matter.

The tasks of the Compliance function include:

- promoting a culture of integrity and compliance within BBVA, as well as the knowledge by its members of the external and internal rules and regulations applicable to the above matters, through the development, advisory, dissemination, training and awareness programs, fostering proactive management in AML&FT and Compliance and Conduct risk; and
- defining and promoting the implementation and total ascription of the Organization to the risk prevention and management frameworks and measures related to these issues, which includes exercising control over the first line of defence.

In order to perform its functions adequately, Compliance maintains a configuration and systems internal organization in accordance with the principles of internal governance established by the European guidelines on this matter. In its configuration and development of the activity, it adheres to the principles established by the Bank for International Settlements (hereinafter, BIS) and to the reference regulations applicable to AML&FT and Compliance and Conduct issues.

Organization, internal government and management model

The Compliance function is handled globally at BBVA, and is composed of a corporate unit, with a transversal scope for the entire Group that is directed by a global manager and by local units which, sharing the mission entrusted to them, perform their duties in the countries where BBVA carries out its activities that are directed by local managers of the function.

The function has, among others, those responsible for AML&FT and Compliance and Conduct issues, for the definition and articulation of the function's strategy and management model or for the execution and continuous improvement of the area's internal operating processes.

The main functions of BBVA's Compliance units include the following:

- Carry out a risk assessment of AML&FT and Compliance and Conduct inherent to the Group's activity.
- Advise the Organization on the requirements that must be met in relation to PBC&FT and Compliance and Conduct matters for the management of the risks that derive from them.
- Prepare and implement internal regulations on their matters.
- Establishing mechanisms for the monitoring and verification of compliance with internal regulations that allow the measurement of the management of Compliance and Conduct risk and its adequate verification.
- Management of whistleblowing channels in the different jurisdictions
- Establishing systems, technological tools and data for risk management.
- Periodically reporting information related to Compliance and Conduct issues at the different levels of the Organization.
- Representing the function before regulatory bodies and supervisors in matters of compliance.

The scope and complexity of the activities, as well as the international presence of BBVA, give rise to a wide variety of regulatory requirements and expectations of the supervisory bodies that must be met in relation to risk management associated with Compliance and Conduct Issues. This makes it necessary to have internal mechanisms that establish transversal management programs for this risk in a homogeneous and integral manner.

To achieve the above, Compliance has a global prevention and management framework, which, under a comprehensive and preventive approach, has evolved over time to reinforce the elements and pillars on which it is based and to anticipate the developments and initiatives that may arise in this area.

The framework is based on the Code of Conduct, the Compliance Statute and Compliance Policies, and is supported by a series of specific programs, as well as technological infrastructure and transversal data for better operationalization and efficiency in risk management. These include, among others, a global Internal Regulation portal, a gift registry tool, customer monitoring tools and market abuse or whistleblowing channel management.

The strategic aspects of the function are defined and submitted to different committees at the executive level, among which are the Global Compliance Committee or the Internal Control Body in AML&FT matters, among others.

This model starts from periodic cycles of identification and assessment of compliance risk, upon which its management strategy is based. This results in the review and updating of the multi-year strategy and its corresponding annual action lines, both of which are aimed at strengthening the applicable mitigation and control measures, as well as improving the model itself. These lines are incorporated into the annual Compliance plan, the content of which is reported to the Risks and Compliance Committee.

The basic pillars of the model are made up of the following elements:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the organization.
- A set of policies, standards and procedures (internal regulation) that strengthen the positions and requirements to be applied in risk management.
- Mitigation processes and controls to enforce these policies and procedures.
- A technology infrastructure focused on monitoring and designed to guarantee the above objective.
- Communication and training actions, with the aim of maintaining up-to-date knowledge and adequate awareness of the aspects of risk prevention and management on the part of the Group's professionals. These mechanisms are articulated within the Compliance Culture Program.
- A set of indicators for supervision and monitoring of the implementation of the model at a global level and for the early detection of possible risk situations.
- Independent periodical review of effective model implementation.

Throughout 2022, work continued on strengthening the documentation and management of this model.In this sense, the review and update of the Compliance aspects in the Group's risk appetite framework (RAF), and the review and update of the global AML&FT and Compliance and Conduct risk typologies stand out, both at a general level and in the different geographical areas, highlighting the reinforcement of Conduct Risk with customers in said appetite framework. Likewise, the framework of indicators has continued to be strengthened, integrated into the management of the operating and business units, in order to improve the early detection of these risks. In addition, the management and extension framework of internal regulation in the Group has been strengthened through the evolution of the technological infrastructure on which it is supported and the evolution of the reporting framework to the Risk and Compliance Committee.

The model is continuously reviewed and tested through extensive and different annual verification processes in each of the geographies, including inspections carried out by supervisory bodies, internal and external audits, and the Compliance Testing activities carried out by specially dedicated teams in the Compliance units. In relation to this activity, during 2022 efforts have focused especially on the review of AML&FT risk management frameworks.

BBVA's drive to develop innovative initiatives and projects has led to the strengthening of organizational, governance, supervision and advisory aspects of the Compliance unit for this type of initiative. Likewise, this year the function has carried out a specific review of its programs from the environmental and climate point of view to ensure that this dimension is adequately incorporated into them.

Conduct with customers

BBVA's Code of Conduct establishes standards for behavior with customers. For more information on the Group's conduct with its customers and the actions promoted by Compliance in this area, see the section "Conduct with Customers" in the "Customers" chapter of this report.

Prevention of money laundering and terrorist financing (AML&FT)

Anti-money laundering and prevention of terrorist financing (AML&FT) is an indispensable requirement for preserving corporate integrity, and one of its main assets: the trust of the people and institutions with which the Group works on a daily basis (mainly customers, employees, shareholders and suppliers) in the different jurisdictions where it operates.

BBVA also pays particular attention to compliance with the AML&FT regulation and the restrictions imposed by national or international organizations on operations with certain jurisdictions and individuals or legal entities.

As a result of the above, as a global financial group with branches and subsidiaries operating in numerous countries, BBVA applies the compliance model described above for AML&FT risk management in all the entities that make up the Group. This model takes into account the regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies such as the Financial Action Task Force (FATF).

This management model is constantly evolving. Thus, the risk analyses carried out annually tighten controls and establish, where appropriate, additional mitigating measures to enhance the model. In 2022, the regulated entities of the Group carried out this AML&FT risk assessment exercise under the supervision of the corporate AML&FT area.

The BBVA Code of Conduct determines the basic guidelines for action in this area. Within the framework of the Function's Strategic Plan, during 2022 the internal regulatory body on this matter has been completed and updated (with the approval, among others, of a new AML&FT General Policy). Governance in corporate decision-making of global scope for the Group has also been strengthened, reinforcing the role of the Corporate Internal Control Body for AML&FT. Additionally, the importance of adequately managing this risk has been highlighted (with its inclusion in the General Declaration about the Risk Appetite of BBVA Group).

In the belief that technology and data are essential to implement an effective AML&FT program, the improvement of the technological infrastructure and the use of advanced analytics techniques represent two essential lines of work in the aforementioned Strategic Plan.

During 2022, the design of the new strategic approach of global AML&FT tools has begun throughout the BBVA Group and the deployment in Argentina, Colombia and Peru of the same monitoring tool implemented in Spain, Mexico and Turkey, which allows more advanced functionalities. Similarly, the Group continues to develop different applications of new data-based technologies (machine learning, artificial intelligence, etc.) to AML&FT processes in order to: (I) enhance the capabilities of detecting risk elements; (II) increase the efficiency of said processes; and (III) strengthen analysis and research capacities. Additionally, and leveraged on the creation of a global Compliance data model, a specific line of work has been launched for the creation of a global supervision model, which allows centralized control over AML&FT processes.

In 2022, BBVA Group resolved 139,592 investigation files that resulted in 82,860 reports of suspicious transactions sent to the corresponding authorities in each country, mainly in jurisdictions such as Mexico, Turkey, Argentina, Colombia or Spain.

In the area of training related to AML&FT, each of the BBVA Group entities offers an annual training plan for its employees. This plan, defined according to the needs identified, establishes training actions such as face-to-face or e-learning courses, videos, brochures, etc. for both new hires and employees. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the applicable internal and external AML&FT regulations, as well as specific issues that affect the functions performed by the target group of the training. In 2022, 91,401 attendees participated in AML&FT training activities; this figure includes 23.624 employees belonging to the most sensitive groups from the perspective of AML&FT, who received an enhanced level of training.

The AML&FT risk management model is subject to continuous independent review. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain in other jurisdictions. In accordance with Spanish regulations, an external expert performs an annual review of the Group's parent company. In 2022, this external expert concluded that "BBVA has continued the different lines of action established in previous years and has undertaken new initiatives in order to strengthen the AML&FT control framework established to mitigate the risk of being used as a vehicle for money laundering and financing of terrorism" In turn, the internal control body, which BBVA maintains at the holding level, meets periodically and oversees the implementation and effectiveness of the AML risk management model within the Group. This supervision scheme is also replicated at the local level, through the committees corresponding to each geography.

It is important to mention BBVA's collaboration with the different government agencies and international organizations in this field: Attendance at different committees of the European Banking Federation (Executive Committee Financial Crime Strategy Group of the AML & Financial Crime Committee and the Financial Sanctions Expert Group), member of the task forces on KYC/RBA (Know Your Customer/Risk-based Approach) and Information Sharing of the European Banking Federation, member of the AML Working Group of the Institute of International Finance (IIF), participation in initiatives and forums aimed at increasing and improving the exchange of information for AML purposes, such as the Europol Financial Intelligence Public Private Partnership (EFIPPP), participation in the "UNODC (United Nations Office on Drugs and Crime) private sector dialogue on disrupting financial crimes related to forestry crimes" as well as contributions to public consultations issued by national and international bodies (European Commission, European Banking Authority and FATF-GAFI (Financial Action Task Force), among others).

Conduct on securities markets

The BBVA Code of Conduct includes the basic principles for action aimed at preserving the integrity of the markets, setting the standards to be followed aimed at preventing market abuse, and guaranteeing transparency and free competition in the professional activity carried out on the market by the members of BBVA Group.

These basic principles are specifically developed in the Policy on Conduct in the Field of Securities Markets ("the Policy"), which applied to all the individuals who form part of BBVA Group. Specifically, this policy establishes the minimum standards that are to be respected with the activity carried out in the securities markets in terms of privileged information, market manipulation and conflicts of interest. The Policy is supplemented in each jurisdiction by a rule or Internal Code of Conduct (hereafter, ICC) aimed at the target group with the greatest exposure in the markets. The RIC develops the contents established in the Policy, adjusting them, when appropriate, to local legal requirements.

This Policy, as well as the different RIC, have been updated during 2022, reflecting the new expectations of supervisors, the experience of recent years in terms of self-employment, and the new forms of remote work. Both the Policy and the RIC are extended throughout the Group. To carry out the management of this regulation, BBVA has tools, in continuous evolution, implemented in practically the entire Group for more than a decade.

In 2022, Compliance has supervised in the normal course of business more than 70.000 operations in the securities markets on the own account of employees subject to the ICC, a group that at the end of that year amounted to more than 7.000 people.

In relation to the process of monitoring operations in the securities markets, of both customers and the ones derived from BBVA's own operations, in 2022 around 200 suspicious operations have been reported to the different local supervisors in the geographies in which BBVA has activity in the markets. Likewise, through the communication monitoring process, more than 4.000 alerted communications have been analyzed through voice and electronic channels from the market areas.

The internal regulation of market abuse has been reviewed, highlighting the update of the Restricted Securities Procedure and the new General Procedure for market prospecting. It is also worth noting the preparation of a Remote Work Guide (Working from Home) that has been distributed throughout the Group, which includes the main recommendations for working safely from home, mitigating cybersecurity risks, market abuse as well as those related to the non-compliance of investor protection.

In this context of preventing market abuse, the technological infrastructure for the detection of operations suspected of market abuse has continued to be strengthened, with a special focus on trading activity. Likewise, during 2022 the training program on market abuse was enhanced with the launch of a specific course on market prospecting, as well as another on wall-crossing. It is also worth noting the update of the Code of Good Practices in the Foreign Exchange Market (FX Code) course for the FX-traders and -sales teams within the obligations of adherence to these best practices in BBVA, S.A. and BBVA Mexico.

By updating the Swap Dealer Manual, the control framework over derivatives operations with clients affected by the US Dodd-Frank regulation under the Swap Dealer license has continued to be strengthened.

Regarding the US regulation known as the "Volcker Rule", the ongoing training process for the areas involved has been maintained, having trained 400 employees involved in compliance with the specific requirements of covered funds in 2022. Additionally, employees considered critical in compliance with the standard have been sent a reminder training on its basic principles.

Likewise, the buy-back programs executed by BBVA throughout 2022 have involved the execution of the corresponding control framework by the business and compliance teams, with the results of the controls being satisfactory throughout 2022.

Data protection

In the different geographical areas where it carries out its activity, the BBVA Group has privacy policies or notices in accordance with their own local legislation. They disclose the way in which the Group entities collect and process the personal data of their customers, suppliers, and employees, as well as the rest of natural persons whose personal data is processed by the corresponding Group entity. Said privacy policies or notices are subject to review and update, based on the applicable regulations, as well as the General Privacy and Data Protection Policy of the BBVA Group.

During 2022, the Personal Data Protection unit, integrated into the Compliance area and led by the Data Protection Officer (DPO), has continued to promote supervision and control processes throughout the Group to determine the degree of application of data protection regulations in each geographical area and, where appropriate, promote the necessary actions for their proper application.

The implementation has been carried out through (I) the reinforcement of the global regulatory framework, protocols and verification actions of processes and activities with an impact on the protection of personal data, (II) the development and adaptation of tools to help implement control and compliance processes in Spain and other countries (III) the review of relevant processes, as well as (IV) the follow-up and resolution of the recommendations resulting from the audit activities carried out in this field.

Other standards of conduct

One of the main mechanisms for managing the AML&FT and Compliance and Conduct risk in the Group is the Whistleblowing Channel, where the members of BBVA (customers, suppliers or any other stakeholder) can communicate confidentially and, if they wish, anonymously any behavior that does not comply with the Code or that violates applicable legislation, including complaints related to human rights. The Compliance function aims to ensure that complaints are handled diligently and promptly, guaranteeing the confidentiality of the investigation processes and the absence of retaliation or any other adverse consequence in the case of reports made in good faith communications. The Code of Conduct, is available in Spanish and English 24 hours a day, 365 days a year.

The Whistleblowing Channel is managed by the Compliance Unit and covers different phases that range from receipt of the communication and acknowledgment of receipt to the complainant (within 7 days) to verification of the facts and closure of the case regarding the basis of an objective, impartial and confidential investigation. The new version of the Code of Conduct, and specifically the corresponding training course created in 2022, informs BBVA employees of the Whistleblowing Channel management process.

During the 2021 financial year, the BBVA Group has implemented a global Whistleblowing Channel tool provided by an external provider in most of those areas where it is present. This online platform is accessible to all employees through the corporate intranet and third parties outside BBVA can access it through a public link available on the BBVA Group website (www.bkms-system.com/bbva). This new tool raises the standards of security, confidentiality and anonymity for whistleblowers and thus ensures their protection.

In 2022 the Group received 1,597 complaints, mainly referring to categories of conduct with co-workers (61.1%) and conduct with the company (18.5%). Some 46% of the complaints processed during the year ended with disciplinary action being taken including 156 disciplinary dismissals.

Currently, the management process of the Complaint Channel is being adapted to the Spanish Law (in the Draft Law phase) that transposes Directive (EU) 2019/1937 of the European Parliament and of the Council of October 23 regarding to the protection of persons who report breaches of Union Law.

Regarding the area of defense of competition, in July 2019 the BBVA Competition Policy was approved, which, extended to the entire Group, represented progress in the development of standards of conduct in this area. The policy deepens in principle 3.14 of the BBVA Code of Conduct on free competition and covers the most sensitive risk areas identified by national and international organizations; horizontal agreements with competitors, vertical agreements with non-competing companies, as well as possible abusive practices. Various training and awareness actions in this area have been carried out during 2020, 2021 and 2022.

Another key element in the management of Conduct risk in BBVA is the Group's General Anti-Corruption Policy (approved by the Board of Directors of BBVA S.A. in September 2018), which develops the principles and guidelines contained, primarily, in Section 5.3 of the Code of Conduct. It conforms to the spirit of national and international standards on the subject, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO). In May 2020 this Policy was reviewed and its update approved by the Board of Directors of BBVA S.A. and communicated again to all employees and member of the Group´s main governing bodies. The general guidelines of the BBVA's General Anti-Corruption Policy are available to both business partners and other third parties on BBVA's shareholders and investors website.

The Group's General Anti-Corruption Policy is developed through various specific internal regulations that establish guidelines for action and precautions in cases in which the risk of corruption could eventually materialize (i.e Standard for the Acquisition of Goods and Contracting of Services, regulation in terms of gifts and events, regulation of donations and commercial sponsorships, among others).

In line with the aforementioned, in general, BBVA has clauses included in the contracts in which the suppliers undertake to comply with the applicable anti-corruption legislation.

The BBVA anti-corruption framework is not only composed of the aforementioned regulatory body, but also, in compliance with the crime prevention model, has a program that includes the following elements: (I) a risk map; (II) a specific governance model; (III) a set of mitigation measures aimed at reducing these risks; (IV) procedures for action in the event of the emergence of risk situations; (V) training and communication programs and plans; (VI) indicators aimed at understanding the situation of risks and their mitigation and control framework; (vii) a whistleblower channel; and (VIII) a disciplinary regime.

In relation to the evaluation of the risk of corruption in the Group, different types of operations have been evaluated (I) 139,592 operations out of a total of 140,305 (99.49%) in relation to the AML&FT risk (to see the number of communications made to the corresponding authorities, consult the previous section on "Prevention of Money Laundering and Financing of Terrorism"); (II) Regarding the risk of internal fraud, a total of 193,739 (100%) operations; and (III) 4,685 out of 4,706 third parties have been evaluated from the AML&FT and Corruption risk dimension (99.55%).

In addition, in recent years risk assessments have been carried out in the area of anti-corruption in the banks of the main geographical areas in which the BBVA Group has a presence. Based on the overall result of this analysis, it has been concluded that the corruption risk control framework in the BBVA Group is adequate.

In relation to the training program on the prevention of corruption, during the 2020 financial year, the training of managers and employees of the BBVA Group in the Anti-Corruption Policy was promoted globally through different initiatives based mainly on practical cases. In this sense, the launch of a corporate online course in most of the jurisdictions in which BBVA is present stands out. At the end of the 2022 financial year, this course had been taken by a total of 79,706 (93.1%)[27] employees, broken down as follows:

[27] This metric does not include Garanti Turkey.

PARTICIPANTS IN THE ANTI-CORRUPTION COURSE BY GEOGRAPHICAL AREA (BBVA GROUP. NUMBER, PERCENTAGE)

	2022			2021		
	Enrolled	Undertaken	% Undertaken	Enrolled	Undertaken	% Undertaken
Argentina	5,982	5,879	98.3	5,906	5,769	97.7
Chile	733	647	88.3	718	520	72.4
Colombia	6,945	6,638	95.6	6,929	6,579	94.9
Spain	21,267	20,350	95.7	21,507	19,123	88.9
Mexico	39,916	36,107	90.5	37,401	31,482	84.2
Peru	7,125	6,749	94.7	6,648	6,421	96.6
Switzerland	122	121	99.2	117	109	93.2
Uruguay	569	538	94.6	577	519	89.9
Venezuela	1,824	1,602	87.8	1,763	895	50.8
Rest (1)	1,164	1,075	92.4	71	53	74.6
Total general	**85,647**	**79,706**	**93.1**	**81,637**	**71,470**	**87.5**

(1) Until 2022 includes Germany, Belgium, Italy, France, Portugal, the United Kingdom, the United States, the United Arab Emirates, India, Indonesia, Hong Kong, Japan, Korea, Singapore, Taiwan, and China. In 2021 only includes the United States.

PARTICIPANTS IN THE ANTI-CORRUPTION COURSE BY PROFESSIONAL CATEGORY (BBVA GROUP. NUMBER, PERCENTAGE)

	2022		
	Enrolled	Undertaken	% Undertaken
Management team	4,229	4,063	96.1
Managers	29,085	27,399	94.2
Rest of employees	52,333	48,244	92.2
Total	**85,647**	**79,706**	**93.1**

On the other hand, the total number and percentage of members of the Boards of Directors of the main entities[28] that make up the Group who have received anti-corruption training since the financial year 2020 until the date of publication of this report is 90 (100%).

Additionally, in line with international standards on the prevention of corruption, a tool for registering gifts and events (Register your Gifts and Events) has been implemented in Spain during the 2021 financial year, the main objective of which is to make transparent and report receipt of this type of personal benefits by BBVA employees. During the 2022 financial year, it is expected that the use of this tool will be extended to most of the geographical areas in which the BBVA Group is present.

During the 2022 financial year, various awareness-raising actions were carried out regarding conflicts of interest at BBVA. The framework for preventing conflicts of interest was reinforced in July 2020, complementing the existing internal regulation through the issuance of a new general policy, applicable to the entire Group, which reinforces the principles and main measures that all BBVA members must assume and follow in order to identify, prevent and manage conflicts of interest. The policy has been established in the context of the principles under which BBVA Group operates, which include integrity, prudent risk management, transparency, the achievement of long-term sustainable business and compliance with applicable legislation. It also addresses several different aspects, such as specific measures that help prevent the emergence of conflicts, general guidelines for action should they emerge, and governance and monitoring mechanisms at various different levels of the organization.

Criminal prevention model

Since the introduction in Spain of the criminal liability regime of legal persons, BBVA has been developing a criminal risk management model, based on the general internal control model, with the aim of specifying measures directly aimed at preventing the commission of crimes through an appropriate structure of governance for this purpose. The crime prevention model is structured around three elements: a prevention system, a governance structure and a periodic review of its application.

The prevention system is aimed at (i) identifying the activities carried out in BBVA that represent a risk of the legal entity incurring criminal liability; (ii) identifying the elements of control, prevention and mitigation of said risks; and (iii) developing a specific risk management program for each type of crime likely to attract liability for BBVA. In this sense, a specialized control area ("assurance providers") is designated for each of the identified criminal risks, as part of the criminal risk management program. For each of the identified criminal types, it draws up a map of risks and a series of mitigation measures and action plans.

The purpose of the governance structure is the supervision and control of the model, the identification of the responsible units and the periodic information to the BBVA governing bodies of the results of the monitoring of the system and of the incidents or possible relevant non-compliances.

This model, periodically subject to independent review processes, is configured as a dynamic process in continuous evolution, so that the experience in its application, the modifications in the activity and in the structure of the Entity and, in particular, in its control model, as well as the legal, economic, social and technological developments that occur, are taken into account in a way that contributes to their adaptation and improvement.

[28] With reference to the following geographies: Argentina, Chile, Colombia, Spain, Mexico, Peru, Switzerland, Turkey and Venezuela.

In this context, in 2022, BBVA has obtained the certificate from AENOR (Asociación Española de Normalización y Certificación), which certifies that its criminal compliance management system complies with the UNE 19601:2017 Standard.

Fiscal transparency

BBVA operates in compliance with its tax obligations and avoids any practice which represents illicit avoidance of its obligations to pay tax or prejudice to the public treasury.

BBVA's guiding principles on fiscal matters

The principles that guide BBVA's fiscal action are not detached from its responsible and sustainable way of understanding finance and banking. In the tax area, in addition to providing legitimate added value to investors, BBVA's actions must also address other stakeholders and must align with the values and commitments that it has undertaken with society in order to bring the age of opportunities to everyone.

As such, the principles that guide its actions are as follows:

- Integrity: in the fiscal sphere, integrity is defined as the observance of the letter and spirit of the law and the maintenance of a cooperative and good faith relationship with the various tax administrations.
- Prudence: in the fiscal context, BBVA always assesses the implications of its decisions beforehand, including, among other assessments, the impact that its activity may have in the geographical areas in which it operates.
- Transparency: in the tax area, BBVA provides information on its activity and its approach to taxation to customers and other stakeholders in a clear and accurate manner.

BBVA's fiscal strategy

The corporate principles described above served as a basis for the articulation of BBVA's Fiscal Strategy, which was approved by the Board of Directors and made public on its website (www.bbva.com).

In summary, BBVA's fiscal strategy establishes:

1. The commitment to pay any applicable taxes in all countries in which it operates.
2. The alignment of its taxation with the effective performance of economic activities and value generation. The presence in tax havens is only possible as a consequence of the effective performance of economic activities.
3. The application of reasonable interpretations of tax rules and the provision of agreements to avoid double taxation.
4. The establishment of a transfer pricing policy for all transactions between related parties and entities, governed by the principles of free competition, value creation and assumption of risk and benefits.
5. Addressing the fiscal challenges that the digital economy poses by incorporating an online presence into its value-added assessments.
6. The payment of taxes as an important part of the contribution to the economies of the jurisdictions in which it operates.
7. The promotion of a reciprocal cooperative relationship with the various tax administrations, based on the principles of transparency, mutual trust, good faith and loyalty.
8. The promotion of transparent, clear and responsible reporting of its main tax figures, informing stakeholders of the payment of taxes.
9. When preparing any financial product, it takes into account the tax implications for the customers and provides them with the relevant information required to meet their tax obligations.
10. The internal control mechanisms and rules necessary to comply with the prevailing tax code and its principles.

In the BBVA Group, the Board of Directors is responsible for approving its fiscal Strategy. Although the Strategy is intended to be permanent, it will be updated when necessary to better express the Group's fiscal orientation and commitments.

The Strategy is universal and affects all of BBVA's business units and employees, regardless of the region in which they are located. It is developed through a body of internal fiscal policies that are reviewed annually both internally and by an independent third party to ensure that they reflect best market practices and are fully aligned with the Group's strategy.

In compliance with United Kingdom regulations, BBVA makes its fiscal strategy public for its branch in that jurisdiction. This strategy reproduces the Group-wide strategy with the adaptations required by United Kingdom regulations, and is also subject to third party review and verification.

In addition to the above, it should be noted that Section 4.6.1 of BBVA's Code of Conduct requires its members to carry out their professional activity in such a way that BBVA adequately complies with its tax obligations, avoids any practices that involve illicit tax evasion or harm to the public treasury. The implementation of the Code is monitored by the Group's Compliance area, which has its own whistleblowing channel.

BBVA is fully committed to transparency in tax matters and voluntarily publishes its overall tax contribution annually in the Tax Policy section of the shareholders and investors website. As a financial institution, BBVA also complies, through the corresponding areas, with reporting obligations to tax authorities arising from the Foreign Account Tax Compliance Act (FATCA), the Common Reporting Standard (CRS), the U.S. Qualified Intermediary (QI), and the country-by-country report. In 2022, BBVA Group has further adapted its internal processes to comply with the requirements established by Directive 2018/822, of 25 May, 2018, amending Directive 2011/16/EU, as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (known as DAC6).

The main characteristics of the BBVA Group's fiscal strategy are:

- BEPS compliance

  This is inspired by the results of the Base Erosion and Profit Shifting (BEPS) Project reports promoted by the G20 and the OECD, which aim to align value generation with appropriate taxation where said value is generated. They also reflect the commitment to comply with and respect both the letter and the spirit of tax regulation in the jurisdictions in which the Group operates, in accordance with Chapter XI of the OECD Guidelines for Multinational Enterprises.

- Geared toward compliance with the SDGs

  BBVA's vision shares the views of the European Economic and Social Committee's opinion ECO/494 of December 11, 2019, on taxation, private investment and the SDGs. For BBVA, paying taxes is key to achieving these objectives; in particular, it is clearly associated with the first goal (no poverty); the eighth (decent work and economic growth); the tenth (reduced inequalities between and within each country); and the seventeenth (partnerships for the goals), although BBVA's commitment extends to all of the goals. In this sense, for BBVA, it is not only a question of contributing with the necessary resources in accordance with current legislation so that the tax authorities may exercise their policies aimed at complying with the SDGs, but it has also adopted a proactive attitude of cooperating with these authorities and have incorporated responsibility in the field of taxation as an essential element of its activities.

- Committed to protecting human rights

  BBVA is concerned with the promotion, protection and assurance of an effective exercise of human rights including in the area of taxation, and we have fully embraced the Guiding Principles on Business and Human Rights. Taxation is linked to human rights insofar as, through the redistributive action of states, it makes it possible to provide economically disadvantaged persons with the means to effectively exercise their rights. BBVA is committed to paying taxes, and ensures that these taxes are paid in the jurisdictions in which they are collected, aligning its contribution with the effective performance of its economic activity. The Group also collaborates with the tax administrations of the jurisdictions in which it operates.

  The Group maintains transparent, clear and truthful communication on tax matters with various NGOs that are equally committed to human rights, while internally, it participates in auditing activities for implementing the Guiding Principles developed by BBVA Group's Sustainability area, and monitors the performance of the plans it has launched in this sphere.

Fiscal risk management and control

BBVA Group has set up a Fiscal Control Framework that complies with requirements for the improvement of Corporate Governance that Law 31/2014 amending the Law on Corporations introduced in terms of fiscal risk control and management for listed companies.

The BBVA Group's Fiscal Control Framework is in turn based on its Fiscal Strategy and is applicable to all the jurisdictions in which BBVA operates and to all the Group's various different areas and businesses. This allows BBVA Group to carry out an integrated management of its fiscal positions and risks in a manner consistent and in conjunction with other risks.

BBVA Group's Fiscal Control Framework is configured around three core lines of action:

1. Specific plans are carried out annually to identify, mitigate and control fiscal risk within BBVA Group. The Head of the Group's Tax Department periodically informs the Audit Committee of the most relevant tax information.
2. Controls for fiscal risk management are subject to the annual cycle of review of internal control areas in order to evaluate their suitability and effectiveness.
3. The Group's Internal Audit area conducts periodic tax compliance reviews.

A series of specific tax risk indicators have also been developed, which are integrated into the Group's general risk management and control framework, to help establish and manage the Group's risk profile in tax matters.

BBVA's fiscal function carries out the process of evaluating and monitoring these indicators, which allows for:

- Properly identifying fiscal risks.
- Assessing the impact of the materialization of fiscal risks.
- Developing redirection measures that allow dynamic fiscal risk management.
- Reporting and generating relevant information on the evolution of tax risks for the Group's governing bodies.

The BBVA Group's Control Framework and, in short, the Group's entire tax risk management and control system, complies with the standards established by the UNE 19,602 standard, BBVA being the first financial institution in Spain to obtain the certificate of compliance after the corresponding AENOR audit.

Cooperation with tax administrations

As advocated by the Group's Fiscal Strategy, BBVA maintains a cooperative relationship with the tax administrations of the countries in which we operate based on the principles of transparency, mutual trust, good faith and loyalty.

In particular, and with regard to Spain, it is subject to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias, CBPT) adopted by the Large Corporations Forum (of which it is a member) on July 20, 2010. As a sign of commitment to and compliance with the CBPT principles, the Group has once again voluntarily submitted to the Spanish Tax Agency the Annual Fiscal Transparency Report for Companies Adhering to the CBPT, together with its Corporate Income Tax declaration for the previous year, which included its performance and proposals to strengthen best practices on fiscal transparency, adopted in a plenary session of the Spanish Large Corporations Forum on December 20, 2016, or companies adhering to the Code.

In the aforementioned Transparency Report, the most significant criteria used to prepare the Corporate Income Tax Declaration are voluntarily explained to the Central Delegation of Major Contributors, and meetings are subsequently held with the tax authorities in order to further elaborate on any details that may be required. All of the above is before corresponding inspectorate actions commence.

In addition, in 2022 and within the framework of the cooperative relations that BBVA has with the Tax Authority, a Self Assessment "Report of the Data Reported in the Country-by-Country Statement corresponding to 2020" has been submitted to the Agency. In the process of analyzing these data, BBVA Group has evaluated risks of a fiscal nature on the basis of indicators and ratios of a financial character identified by the OECD in its document OECD (2017), BEPS Action 13 - Country-by-Country Reports: Manual on the effective use for the assessment of tax risk.

BBVA also adopted the Code of Practice on Taxation for Banks, a United Kingdom initiative that provides for the approach expected from financial institutions in terms of governance, tax planning and engagement with the British tax authorities, in order to promote the adoption of best practices in this area, which is published on the HM Revenue & Customs (HMRC) website.

BBVA is also a financial institution that collaborates in the collection processes of the geographical areas that so request.

Finally, in order to obtain legal certainty and ensure that its understanding of the tax code is in line with the spirit of the law, BBVA consults the tax authorities on any aspects that are controversial or raise doubts, when deemed necessary.

Dialog with other stakeholders on fiscal matters and participation in technical-fiscal discussion forums

BBVA is aware of how important taxes are for the progress and sustainability of the societies in which it operates, which is why it maintains mutually constructive dialog with various NGOs, universities, think tanks and other tax-related forums, in relation to the Group's fiscal contribution. As a result of this dialog, BBVA has incorporated new transparency standards made public in the Total Tax Contribution (TTC) Report and has promoted initiatives that allow its extension to other multinationals, such as the European Business Tax Forum.

BBVA is currently recognized by the Haz Foundation (formerly Fundación Compromiso y Transparencia) with the "t**" seal of tax transparency and responsibility, and its tax strategy has been recognized as a best practice in the report Best Practices for Good Tax Governance issued in 2022 by the Tax Executive Council of the Conference Board, The B Team and the European Business Tax Forum itself. Likewise, this way of understanding and approaching taxation has allowed BBVA to position itself as a model in the area of taxation, according to the DJSI, which has awarded BBVA the highest possible score in tax sustainability for the fifth consecutive year.

Additionally, BBVA participates, among other organizations, in the Spanish Banking Association's Tax Committee, and collaborates with this association in the finance working groups of the European Banking Federation. BBVA also participates in the main fiscal committees of the banking and trade associations of the jurisdictions in which it operates.

Total tax contribution

BBVA is committed to transparency in paying taxes and this is the reason why, for yet another year, the Group voluntarily breaks down the total tax contribution in countries in which it has a significant presence.

The BBVA Group's Total Tax Contribution (TTC), which includes own and third-party payments for corporate tax, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year due to tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The TTC Report gives all the stakeholders an opportunity to understand BBVA's tax payments and represents a forward-looking approach and commitment to corporate social responsibility by assuming a leading position in tax transparency.

GLOBAL TAX CONTRIBUTION (BBVA GROUP. MILLIONS OF EUROS)

	2022	2021
Own taxes	5,023	3,030
Third-party taxes	5,925	5,185
Total tax contribution	**10,948**	**8,215**

Tax information by country

TAX INFORMATION BY COUNTRIES (MILLIONS OF EUROS)

	2022				2021 [1]			
	CIT payments cash basis	CIT expense consol	Profit (loss) before CIT	Gross margin	CIT payments cash basis	CIT expense consol	Profit (loss) before CIT	Gross margin
Germany	19	10	30	45	27	5	26	40
Argentina	7	-13	253	1,208	27	39	129	816
Belgium	—	—	2	5	—	—	4	5
Bolivia	3	4	16	32	3	3	12	28
Brazil	—	1	1	3	—	—	—	2
Chile	22	6	49	171	12	16	71	133
China	—	—	—	5	—	—	1	6
Cyprus	3	3	12	14	3	5	21	23
Colombia	123	126	342	1,024	90	101	338	889
Curaçao	—	—	2	5	—	—	4	7
Spain [2]	549	496	1,297	6,331	90	901	1,030	6,161
United States [3]	24	18	67	160	34	108	586	1,502
Finland	—	—	—	—	—	—	1	—
France	25	13	51	81	7	9	42	61
Hong Kong	—	5	34	69	8	9	57	80
Italy	11	33	110	84	28	17	57	66
Japan	—	—	-1	—	—	—	-1	—
Malta	4	3	41	65	4	2	21	77
Mexico	1,141	1,492	5,592	10,344	360	957	3,532	7,448
Netherlands	7	14	53	99	—	6	23	70
Paraguay	—	—	—	—	10	—	—	—
Peru	222	163	599	1,484	173	120	385	1,093
Portugal	6	-1	45	103	9	15	47	95
United Kingdom	15	7	60	130	8	8	61	108
Romania	9	8	46	123	4	7	41	106
Singapore	3	3	20	23	2	3	18	22
Switzerland	5	2	9	46	6	2	8	39
Taiwan	—	1	1	9	—	-1	-2	7
Turkey	948	1,079	1,494	2,885	330	437	1,851	3,145
Uruguay	18	19	49	183	16	7	29	134
Venezuela	2	37	82	157	1	5	7	56
Total	**3,166**	**3,529**	**10,356**	**24,890**	**1,252**	**2,781**	**8,399**	**22,219**

General note: the results of this breakdown of the branches are integrated in the Consolidated Financial Statements of the parent companies on which they depend.

[1] The tax expense, the profit before tax and the total gross margin of the Group for 2021 that appear in this table, do not match whith that existing in the consolidated profit and loss account since the total gross margin in this table comprises also the gross margin generated, up to the moment of its sale, by the United States companies sold, whose "Profit before taxes" and "Corporate tax expense" are classified under the heading "Profits (losses) after taxes from discontinued activities.

[2] In Spain, the balance of "Profit before tax" includes the capital gain generated in 2021 as a result of the sale of the US business, which is classified in the income statement under "Profit (loss) after tax from discontinued operations". Likewise, the balance of "Corporate income tax expense" in Spain is highly conditioned because it incorporates the tax effects associated with the sale of the US business, which is classified in the income statement under "Profit (loss) after tax from discontinued operations".

[3] In 2021 in the US, the balance of "Profit before tax", "Corporate income tax expense" and "Gross margin" includes the profit generated by the US banking business up to the time of its sale, which is classified in "Profit (loss) after tax from discontinued operations". The number of employees in the US does not include employees who at 31 December no longer form part of the Group as a result of the sale of the US banking business.

The amounts of "Cash payments of corporate income tax" are highly conditioned and derive fundamentally from the methodology for calculating the instalment payments provided for in the regulations governing corporate income tax in the different geographical areas, producing differences between the instalment payments made in the current year and the refund of instalments from previous years that may result once the final tax returns have been filed. In this respect, it should also be noted that it is normal for there to be, differences between the amounts of "Corporate tax cash payments" and "Corporate tax expense", as the tax paid in the year is not necessarily directly related to the pre-tax profit existing in a jurisdiction, but takes into account the tax payments (and refunds) in respect of profits made in previous years, as well as the instalment payments made in the current year and the withholding of input tax. However, the "Corporate Income Tax Expense" for the current year is more directly related to the existing Profit before tax for a given year.

In 2022, BBVA Group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

In addition, below is a breakdown of the information for the main countries in which BBVA operates:

TAX INFORMATION BY AREAS 2022 (MILLIONS OF EUROS, NUMBER OF EMPLOYEES)

	Gross margin [1]			Profit (loss) before CIT	CIT payments cash basis	CIT expense consol	Nº employees [2]	Tangible assets other than cash
	Third-parties	Related party	Total					
Argentina	1,208	—	1,208	253	7	(13)	5,421	621
Colombia	1,024	(8)	1,016	342	123	126	6,623	92
Spain	6,228	(59)	6,169	1,297	549	496	24,875	5,319
Mexico	10,429	375	10,804	5,592	1,141	1,492	43,500	2,239
Peru	1,484	(10)	1,474	599	222	163	6,516	346
Turkey	2,845	37	2,882	1,494	948	1,079	20,201	1,242
Rest of Europe and Asia	986	(80)	906	513	107	101	2,462	141
Rest of America	686	88	774	266	69	85	3,956	86
Total	**24,890**	**343**	**25,233**	**10,356**	**3,166**	**3,529**	**113,554**	**10,086**

[1] The fact that in certain geographical areas the business is conducted through branches (permanent establishments), the relationship of these branches with their parent company as well as the financial flows between the branches and their parent company, may condition the data reported in the geographies (both branches and parent company) specifically with regard to the gross margin with third parties and related entities.

[2] Full time employees. The 39 employees of representative offices are not included in the total number.

TAX INFORMATION BY AREAS 2021 (MILLIONS OF EUROS, NUMBER OF EMPLOYEES)

	Gross margin [1]			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Nº employees [2]	Tangible assets other than cash
	Third-parties	Related party	Total					
Argentina	816	—	816	129	27	39	5,364	454
Colombia	889	(3)	886	338	90	101	6,721	112
Spain [3]	6,296	(153)	6,143	1,030	90	901	23,933	5,095
The United States [4]	1,272	263	1,535	586	34	108	285	9
Mexico	7,658	(47)	7,611	3,532	360	957	40,238	1,975
Peru	1,093	(2)	1,091	385	173	120	5,780	294
Turkey	3,072	66	3,138	1,851	330	437	20,063	595
Rest of Europe and Asia	763	44	807	425	106	87	2,438	161
Rest of Latin America	360	(3)	357	123	42	31	3,531	88
Total [5]	**22,219**	**165**	**22,384**	**8,399**	**1,252**	**2,781**	**108,353**	**8,783**

[1] The fact that in certain geographical areas the business is conducted through branches (permanent establishments), the relationship of these branches with their parent company as well as the financial flows between the branches and their parent company, may condition the data reported in the geographies (both branches and parent company) specifically with regard to the gross margin with third parties and related entities.

[2] Full time employees. The 12 employees of representative offices are not included in the total number.

[3] In Spain, the balance of "Profit before tax" includes the capital gain generated in 2021 as a result of the sale of the US business, which is classified in the income statement under "Profit (loss) after tax from discontinued operations". Likewise, the balance of "Corporate income tax expense" in Spain is highly conditioned because it incorporates the tax effects associated with the sale of the US business, which is classified in the income statement under "Profit (loss) after tax from discontinued operations".

[4] In 2021 in the US, the balance of "Profit before tax", "Corporate income tax expense" and "Gross margin" includes the profit generated by the US banking business up to the time of its sale, which is classified in "Profit (loss) after tax from discontinued operations". The number of employees in the US does not include employees who at 31 December no longer form part of the Group as a result of the sale of the US banking business.

[5] The tax expense, the profit before tax and the total gross margin of the Group for 2021 that appear in this table, do not match whith that existing in the consolidated profit and loss account since the total gross margin in this table comprises also the gross margin generated, up to the moment of its sale, by the United States companies sold, whose "Profit before taxes" and "Corporate tax expense" are classified under the heading "Profits (losses) after taxes from discontinued activities.

Banking activity in Spain is mainly carried out through BBVA, S.A., which has a twofold dimension: on the one hand, it is the head of banking business in Spain; and on the other, it is the parent company/holding company of BBVA Group. The main segments of activity developed in Spain include commercial and SME banking, insurance and CIB activities.

In general terms, Spanish companies are integrated into a tax group, constituting for these purposes a single taxpayer in Corporation Tax. The nominal tax rate in Spain is 30%; however, there are certain effects and singularities of a fiscal and accounting nature due to the double dimension mentioned above, which may cause its effective tax rate to be different.

For these purposes, in the year 2022, its tax rate stands out, above 30%, mainly due to the limitation of the exemption of intragroup dividends, as well as the tax effects derived from the purchase operation of the company Tree Inversiones Inmobiliarias, SOCIMI, S.A. to Merlin Properties.

BBVA Group's operations in Mexico are conducted through the BBVA Mexico Group, which is the country's leading financial institution and one of the driving forces behind the BBVA Group. Its main segments of activity include commercial and SME banking, insurance and CIB activities.

The nominal tax rate in Mexico is 30% and its effective tax rate is below it, since there are certain effects and singularities of a fiscal and accounting nature that can cause its effective tax rate to be different from 30%. being the most relevant in 2022, the fiscal adjustment for inflation that contributes to the drop in said rate.

BBVA Group's operations in Argentina are conducted through BBVA Argentina, one of the country's leading financial institutions. Its main segments of activity include commercial and SME banking, insurance and CIB activities.

The nominal tax rate in Argentina is 35%. The fact of being considered a hyperinflationary economy and the consequent restatement of its financial statements causes, in general, a distortion in the country's fiscal pressure. Additionally, in 2022, the effects associated with the application of the tax adjustment for inflation as well as the tax revaluation of BBVA Argentina's fixed assets, also linked to inflation, explain the country's tax pressure.

BBVA Group's operations in Colombia are conducted through BBVA Colombia, one of the country's leading financial institutions. Its main segments of activity include commercial and SME banking, insurance and CIB activities.

The nominal tax rate in Colombia is 38% (financial sector), while the effective tax rate is somewhat lower. In this sense, there are certain effects and singularities of a fiscal nature (such as income exempt from social interest loans, as well as some from the insurance field) that cause the effective tax rate to be different from the nominal one.

BBVA Group's operations in Peru are conducted through BBVA Peru, one of the country's leading financial institutions. Its main segments of activity include commercial and SME banking, as well as insurance and CIB activities.

The nominal tax rate in Peru is 29.5% and in fiscal year 2022 its effective tax rate is lower, mainly due to the weight of certain exempt income (i.e. exemption of interest on deposits in the Central Reserve Bank and for the interests of Public Treasury bonds).

The Group's activity in Turkey is mainly conducted through Garanti BBVA Group, of which BBVA is the largest shareholder. Garanti BBVA Group is a pioneering bank in Turkey, a leader in the use of technology applied to banking businesses. Its main segments of activity include commercial and SME banking, insurance and CIB activities.

In June, the Group agreed to apply IAS 19 ("Financial reporting in hyperinflationary economies") to Group entities in Turkey with effect from January 1, 2022. Despite Turkey's status as a hyperinflationary economy, in fiscal year 2022, Turkish tax regulations do not provide for the application of any inflation adjustment, resulting in significant upward distortions to Turkey's tax burden.

In addition, at the beginning of the fiscal year, the nominal rate was expected to be 23% in 2022 and 20% in the following years. However, in April 2022 the nominal tax rate in Turkey was reformed again and, as a result of this tax reform, the nominal tax rate for the financial sector became 25% in fiscal 2022 and subsequent years. In fiscal year 2022 the effective tax rate has been higher than the nominal rate of 25% mainly due to the negative effect caused by the restatement of the financial statements and the impossibility of applying the tax adjustment for inflation.

Likewise, the Group is also present in the United States, Chile, Venezuela, Uruguay, Bolivia, Brazil and Curaçao, basically carrying out, as in the rest of the jurisdictions, retail and commercial banking activities. The joint relative weight of these countries in the Group's accounts is very limited; representing less than 3% of the total consolidated Profit Before Taxes of the Group generated in 2022.

The applicable average nominal rate would amount to 28.70%. The effective tax rate has risen to 31.95%, above the average nominal rate, among other reasons, affected by the peculiarities of jurisdictions such as Venezuela being a hyperinflationary economy.

Additionally, in the rest of Europe and Asia, the banking and financial entities located in Switzerland, the Netherlands, Romania stand out, and on the other hand, the branches located in Frankfurt, Brussels, Paris, Milan, London, Portugal, Taipei, Tokyo, Hong Kong, Singapore, Shanghai, Malta and Cyprus whose main activity falls within the field of Corporate and Investment Banking. The joint relative weight of these countries in the Group's accounts is limited, representing 5% of the total consolidated Profit Before Taxes of the Group generated in 2022.

The applicable average nominal rate would amount to 22.55%. In financial year 2022, the effective tax rate has risen to 19.69%, below the average nominal rate, among other reasons, due to the registration of tax assets in Portugal.

The perimeter of the geographical areas described above can be consulted in Appendix I of the Consolidated Annual Accounts.

Offshore financial centers

BBVA Group maintains an express policy on activities in entities permanently registered in offshore financial centers.

Issuers of securities

As of December 31, 2022, BBVA's permanent establishments registered in offshore financial centers considered tax havens by both the OECD and Spanish regulations are securities companies: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

BBVA Group has four issuers registered in Grand Cayman, two of which belong to the Garanti Group.

BRANCH AT OFFSHORE ENTITIES (BBVA GROUP. MILLIONS OF EUROS)	2022	2021
Subordinated debts [(1)]		
BBVA Global Finance LTD	188	177
Other debt securities		
Continental DPR Finance Company [(2)]	0	7
Garanti Diversified Payment Rights Finance Company	461	781
RPV Company	1,438	1,341
Total	**2,086**	**2,306**

[(1)] Securities issued before the enactment of Act 19/2003 dated 4 July.

[(2)] Securitization bond issuances in flows generated from export bills.

Supervision and control of the permanent establishments of BBVA Group in offshore financial centers

BBVA Group has established risk management policies and criteria for all its permanent establishments in offshore financial centers, as it has for the rest of the entities within the Group.

In relation to these BBVA Group establishments in off-shore financial centers, BBVA's Internal Audit area carries out risk-based reviews, following up on the action plans derived from such reviews. Likewise, under a risk-based approach, the Group's non-financial risk control model includes these establishments within its scope.

Commitment to Human Rights

BBVA is committed to respecting internationally recognized human rights. This commitment applies to the relationships that BBVA establishes with its customers, suppliers, employees and with the communities in which it carries out its business and activities.

BBVA has had a commitment to human rights since 2007, which has been updated in 2022, framed in the Group's General Sustainability Policy and which is aligned with its Code of Conduct. This commitment takes the United Nations Guiding Principles on Business and Human Rights as a point of reference.

In 2022, BBVA has adopted an active role in the field of future community legislative initiatives. Within the framework of its participation in the Working Groups on Sustainable Finance of the European Banking Federation (EBF), in the Association of European Financial Markets and in the European Financial Services Roundtable, BBVA contributes to the preparation of sectoral positions on various community initiatives. In this context, it is worth noting the work of dialog and support with the European regulator in relation to the proposal for a directive on due diligence of companies in terms of sustainability. In addition, BBVA is also part of the EBF's advisory group on diversity and inclusion.

BBVA identifies the social and labor risks that derive from its activity in the different areas and countries in which it operates in order to manage its possible impacts through processes specifically designed for this purpose or through existing processes that integrate the human rights perspective. For additional information regarding the Equator Principles, see the chapter “Management of indirect environmental and social impacts” of this report.

On the other hand, the methodology for evaluating BBVA's reputational risk, which is mentioned in the “Reputational risk” section of the “Risk management” chapter, is an essential complement to this impact management.

Due diligence procedure

In 2018, BBVA carried out a first human rights due diligence process. In 2021, a new due diligence process was carried out in order to prevent, mitigate and remedy potential impacts on human rights in line with the United Nations Guiding Principles on Business and Human Rights. The main objectives of this exercise were:

- Updating and inclusion of new topics compared to the previous year.
- Assessment of the adequacy of the claim measures and mechanisms to manage these risks (according to the United Nations Guiding Principles on Business).
- Renewal of the Human Rights Action Plan to prevent and/or mitigate potential negative impacts that arose from the due diligence process carried out in 2018.
- Alignment of the process with the current Operational Risk Management Model and regulatory recommendations so that this process constitutes a continuous and dynamic process. For more information, see the “Operational Risk” section in the “Risk Management” chapter of this report.

This global due diligence process has been carried out in the global areas of BBVA and replicated in Spain, Mexico, Turkey, Argentina, Colombia, Peru, Uruguay[29] and Venezuela. For each country, the issues with the greatest impact and frequency were prioritized as a result of the social and governmental practices of the country and of the interviews held with the management areas and the global Risk Control Specialists and as a result, each country has prepared its own action plan.

[29] At the end of 2022, in the absence of completing the preparation of the action plans.

Identification, assessment and testing

Taking as a starting point the issues analyzed in the previous due diligence process of 2018, and incorporating recommendations and expectations from analysts and investors and other emerging issues, in 2021 an internal taxonomy of 28 issues grouped into 6 topics that cover, among others, aspects of forced labor, child labor, freedom of association and collective bargaining, equal pay or discrimination, has been elaborated:

1. Employment condition
2. Projects and products: impact on human rights derived from lending activity
3. Supply chain
4. Customer well-being
5. Respect for communities
6. Cross-cutting issues: data protection and the impact of new technologies on human rights

For each of these 28 issues, an assessment was made of:

- Inherent risk: based on the of seriousness of impact and frequency of occurrence for each issue.
- Residual risk: to assess the mitigating aspects available to BBVA to manage each issue. In this identification and evaluation phase, the potential negative impacts on stakeholders were taken into account, such as the employees themselves (with a focus on women), suppliers or subcontractors, customers, as well as the indigenous population and local communities.

Subsequently, within the framework of the current Non-Financial Risks Model, the global Risk Control Specialists for each issue checked the results of the assessment and the adequacy of the action plans as mitigants. This test had a twofold objective: first, to move steadily toward an alignment of the two models (due diligence of human rights and the Non-Financial Risk Model); and second, achieve a greater systemization of the process.

Prevention and mitigation: Action Plan

The results of the global due diligence process determined that there is, in general, a medium-high effectiveness of the management and mitigation measures for each of the issues. However, areas for improvement were detected around four areas that have been documented in a document called the Human Rights Action Plan 2021-2022 that is available on the shareholders and investors website and that includes 25 action plans:

1. Strategy. One of the areas for improvement detected was to strengthen the structure of management, monitoring and control of the risks associated with human rights. Throughout 2021 and 2022 we reinforced the alignment with the Non-Financial Risk Model by working on the gradual integration of the management of these risks in the ordinary processes. In addition, we carried out a half-yearly monitoring system of the implementation of the 2021-2022 Action Plan.
2. Stakeholders. In 2021, the active participation of key stakeholders in the due diligence process was identified as an area to be enhanced. In 2022 we conducted a consultation process with key stakeholders. The results were integrated into the Human Rights Action Plan 2021-2022.
3. Reporting and disclosure. In addition to GRI, BBVA discloses information on human rights in accordance with two of the most advanced standards: Measuring Stakeholder Capitalism of the International Business Council (IBC) of the World Economic Forum (WEF) and the Sustainability Accounting Standards Board (SASB).
4. Processes Action plans were established in each of the 6 thematic areas:
    - Employment conditions. In 2022, the commitment to non-discrimination between employees was strengthened. The non-discrimination variable was included in the internal analytical model of existing data to contribute to the Group's selection and recruitment processes. Moreover, work continued on global labor disconnection guidelines which will include express measures on digital disconnection, methods and contact times in calls, emails and other channels.
    - Projects and products. Within the scope of the BBVA Environmental and Social Framework, the possibility of initiating a dialogue and support plan with the clients covered by said Framework is foreseen. This protocol specifically includes the requirements relating to human rights.
    - Supply chain. In 2022, work has continued in order to reinforce the integration of ESG issues and specifically human rights in the supplier evaluation process.
    - Customer well-being. In 2022, the development of a vulnerable customer protection framework has continued to develop criteria and good practices to adequately protect these customers.
    - Respect for communities. Work has been done to define a global framework for sustainable mobility, which will contribute to reducing the environmental footprint in the places and local communities where the Group is present. For more information, see the chapter "Management of direct environmental impacts" of this report.
    - Cross-cutting issues. In September 2022, a general privacy and data protection policy was approved for the entire BBVA Group. Additionally, a global personal data protection monitoring tool has been launched.

Claims methods[30]

BBVA has a whistleblowing channel that allows any interest group to report confidentially and anonymously if they wish, any behavior that is directly or indirectly linked to human rights. In the complaints received through this channel in 2022, there are no human rights violations attributable to the Group entities as of December 31, 2022. For more information, see the "Compliance and conduct" section of this report.

[30] A complaints mechanism is a formalized way established or facilitated by the company, through which individuals or groups can raise their concerns with respect to any impact of the company on their lives, including, among others, the consequences for their human rights.

2.2.5 Suppliers

BBVA provides complete and transparent information to its suppliers in the procurement processes, to ensure compliance with the legal requirements on labor and the environment, respect for human rights and stimulation of demand for socially responsible products and services.

As a part of the procurement process, BBVA suitably manages the impacts, both real and potential, that may be generated by its activity through a series of mechanisms and rules: the General Procurement Principles, a supplier evaluation process and the Corporate Rules for the Acquisition of Goods and the Contracting of Services. These impacts may be: environmental; caused by labor practices carried out in supplier companies; a result of the absence of freedom of association; or related to human rights.

The General Procurement Principles and the BBVA Code of Ethics for Suppliers establish the fundamental guidelines that must be followed by all suppliers with which any company or entity of the Group has dealings.

- The General Procurement Principles establish, among other aspects, that it is necessary to ensure compliance with all applicable legal requirements throughout the provisioning process regarding human, labor, association and environmental rights by all parties involved in this process, as well becoming involved in the Group's efforts aimed at preventing corruption. In the same way, it ensures that the selection of suppliers remains in compliance with existing internal regulations at all times and, in particular, with the values of the Group's Code of Conduct, based on respect for legality, commitment to integrity, competition, objectivity, transparency, value creation, confidentiality, continuous improvement and segregation of duties.
- Through the implementation of the Supplier Code of Ethics in the purchasing units of all countries in which the Group is present, minimum standards of conduct in terms of ethical, social and environmental matters were established which suppliers are expected to follow when providing products and services.

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. The purchasing function is based on three core pillars of the procurement model:

- Service, maximizing the quality and experience of the internal customer, who is accompanied throughout the process.
- Risk, limiting the Group's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- Efficiency, contributing to the Group's efficiency by the proactive managing costs and suppliers.

The following is the basic data on suppliers at the end of 2022 and 2021:

ESSENTIAL DATA ABOUT THIRD PARTIES (BBVA GROUP)

	2022	2021
Number of third parties [(1)]	3,548	3,332
Volume provided by third parties (millions of euros) [(1)]	6,292	5,966
Average payment period to suppliers (days)	23	21
Suppliers satisfaction index [(2)]	n.a.	84
Number of evaluated suppliers [(3)]	4,536	3,867

General note: Third party is that natural or legal person with whom there is a payment obligation. Supplier is the third party with whom the BBVA Group maintains a contractual relationship for the supply of goods and services.

General note: excluding Turkey.

n.a.: not applicable.

[(1)] The figure includes payments made to third parties for amounts greater than 100,000 euros.

[(2)] Obtained based on the results of a satisfaction survey that is carried out every 2 years among Bank suppliers that have more than 10,000 euros in awards and 100,000 euros in billing. It is calculated as the average of responses to the question: "Would you recommend working with the BBVA Group Purchasing Department to a friend or family member?", based on 100.

[(3)] In 2022 and 2021, the figure includes suppliers with materiality of more than 10,000 euros (in 2020, suppliers of 100,000 euros) evaluated in GPS from: Spain, Mexico, Argentina, Colombia, Peru, Uruguay and Venezuela. Of a total of 4,706 suppliers evaluated: 4,536, 96%, were suitable and 170, 4%, were not suitable, with whom work is stopped immediately or an exit plan is established, whenever possible, with a period migration to stop working with the supplier.

BBVA has technological platforms that support all phases of the Group's procurement process, from budgeting to recording and accounting for invoices. Moreover, BBVA has a supplier portal that facilitates the Group's online relationship with its suppliers. It is a collaborative environment targeted at companies and self-employed workers who work or are interested in working with the Group, allowing them to interact electronically with BBVA throughout the supply cycle.

The supplier evaluation process carried out by BBVA was completed in 2021. It considerably extended the number of aspects to be reviewed with respect to each supplier: financial, legal, labor, reputational, anti-corruption and money-laundering, technological risks, concentration and country risks and customer protection. Examination of these topics aims to mitigate potential risks in entering into contract with third parties and to verify that each supplier complies with its legal responsibilities. This in turn enables us to promote their civic responsibilities and validate that they share the same values as the Group in terms of social responsibility.

In this evaluation process, the supplier must declare that it has its own code of conduct and complies with the highest standards in its industry. If it does not have its own code of conduct, the supplier must declare that it is aware of and accepts the BBVA Group's Code of Conduct, which includes the following requirements: legal compliance; human rights commitment; environmental commitment; supply chain (outsourcing); anti-corruption; prevention of money laundering and financing of terrorist activities; political contributions; conflict of interest; antitrust/fair competition; and confidentiality.

BBVA launched a supplier evaluation pilot in Spain under ESG criteria to reinforce a responsible supply chain. The model covers a broad spectrum of sustainability aspects evaluated, such as (I) compliance with environmental and social regulations, (II) management and measurement of environmental impacts, (III) human rights, (IV) control structures, (V) sustainability reporting, and (VI) ESG assessment of the supplier's own supply chain. In 2022, the technological developments tied to the evaluation process were completed. The new model will be implemented gradually in the main geographical areas where the Group has a footprint during 2023.

Supplier evaluation is reviewed periodically and is subject to continuous monitoring. As of December 31, 2022, the percentage of contract awards made to evaluated suppliers reached 98.2%.

As of December 31, 2022, 96.1% of the total number of BBVA third parties (representing 90.2% of total revenue) corresponds to local third parties. This makes it possible to contribute to the economic and social development of the countries in which the Bank is present. A local third party, in this context, is defined by the Group as one whose tax identification matches the country of the company receiving the goods or services.

BBVA in Spain also favors inclusion and diversity by engaging services through "special employment centers" (Spanish 'CEEs'). These are sheltered employment companies where the labor integration of people with disabilities is promoted. During the 2022 financial year, billing to the Bank by sheltered employment centers amounted to €1,9m (as of December 31, 2021, billing amounted to €1.7 m).

Finally, in financial year 2022 the Internal Audit area conducted evaluations of suppliers regarding the procurement processes for goods and services in different areas and the service provided by certain suppliers, generally outsourcing suppliers. These are risk-based assessments, and reviews are carried out according to a defined internal methodology. The supplier evaluation process has been audited with a favorable result and with recommendations fully implemented before December 31, 2022.

The following tables contain other information related to suppliers at the end of 2022 and 2021:

NUMBER OF THIRD PARTIES AND ANNUAL TURNOVER BY COUNTRY

	2022 [1]		2021	
	Number of third parties	Annual turnover (millions of euros)	Number of third parties	Annual turnover (millions of euros)
Spain	1,033	2,408	1,040	2,191
Mexico	1,335	2,765	1,286	2,885
Argentina	393	387	315	299
Chile	73	56	71	50
Colombia	220	243	203	223
Peru	347	336	287	259
Venezuela	51	43	40	14
Uruguay	51	35	42	25
Portugal	45	19	48	21
Total	**3,548**	**6,292**	**3,332**	**5,967**
Total third parties [2]				
Spain	23,473	2,514	24,715	2,312
Mexico	6,275	2,876	7,178	2,997
Argentina	1,621	412	1,608	322
Chile	353	61	349	55
Colombia	1,531	262	1,629	241
Peru	1,931	359	1,861	280
Venezuela	406	47	593	18
Uruguay	564	44	564	33
Portugal	491	24	745	26
Total	**36,645**	**6,599**	**39,242**	**6,284**

General note: Third party is that natural or legal person with whom there is a payment obligation. Supplier is the third party with whom the BBVA Group maintains a contractual relationship for the supply of goods and services.

General note: excluding Turkey.

[1] The figure includes payments made to third parties for amounts greater than 100,000 euros. The payment made to suppliers on manageable accounts with amounts greater than 100,000 euros, excluding payments to intra-group companies, amounted to 4,387 million euros.

[2] Includes all suppliers, creditors and third parties with invoicing to BBVA without limit of amount.

AVERAGE PAYMENT PERIOD TO SUPPLIERS [1] (DAYS)	2022	2021
Spain	36	35
Mexico	13	9
Argentina	23	28
Chile	26	30
Colombia	29	40
Peru	8	14
Venezuela	7	10
Uruguay	3	3
Group average [2]	**23**	**21**

Note: excluding Portugal and Turkey.

[1] The ratio is calculated as the arithmetic mean of the days of payment of the invoices paid to suppliers.

[2] The calculation of the Group average does not include the geographical areas of Uruguay and Chile, since detailed information on these countries is not available to perform the calculation.

2.2.6 Regulators & supervisors

The nature of the operations involved makes banking one of the key sectors of a country's economy, as much savings, investment and finance are channeled through it. That is why banks are subject to special regulation and supervision. The regulators and supervisors are therefore important stakeholders for the financial industry in general and for BBVA in particular.

Public regulation aims to ensure that financial institutions operate correctly, strengthen their resilience to adverse events and harmonize the interests of all the parties directly affected (such as banks, savers and investors) with the general interest.

Over the last few years, a number of European authorities, such as the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Commission, etc., and also global authorities, such as the Financial Stability Board (FSB), Bank for International Settlements (BIS), etc., have developed a regulatory framework to improve the strength of the financial system and thus reduce the virulence and also probability of future financial crises.

Given the importance of the new regulatory and supervisory agenda, BBVA has maintained a constant dialog with the different authorities. BBVA has a responsible unit for coordinating relations with the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), as well as facilitating relations with other local supervisors from a single and global point of view. SSM supervision takes place through mixed groups, in the case of BBVA made up mainly of Bank of Spain teams located in Madrid and the European Central Bank (ECB) teams located in Frankfurt, which are called Joint Supervisory Teams (JSTs). The SRM itself is made up of the Single Resolution Board (SRB), based in Brussels, and the National Resolution Authorities (NRA), which in the case of Spain are the Bank of Spain as the prevention resolution authority, and the Fund for Orderly Bank Restructuring (FROB) as the executive resolution authority.

It should be noted that BBVA maintains an active participation in the consultation processes on the regulation of financial entities carried out by the different regulators or supervisors mentioned above.

For more information on the regulatory and legal framework applicable to the Group’s entities, see the “Regulatory environment” chapter of this report.

2.3 Report on climate change and other environmental and social issues

2.3.1 Committed to sustainability

Decarbonization is one of the greatest challenges facing humanity. Climate change and the transition to a low-carbon economy have significant implications for the value chains of most productive sectors, since they require significant investments in many industries. As a financial institution, BBVA has an indirect impact on the environment and society through its lending activity and the projects it finances.

The investment needed to make the world go zero emissions has to be attractive, economically viable and profitable. In this sense, investment in renewables, energy efficiency or electric cars already has a profitable alternative for families and companies, compared to fossil fuels. However, most activities do not have an emission-free version that is economically viable.

BBVA aspires to gradually align its activity to a scenario of zero net emissions by 2050 and to use its role as a bank to help its clients with financing, advice and innovative solutions, in the transition towards a more sustainable future inspired by the Sustainable Development Goals. In addition to the intermediate decarbonization targets that it published in 2021 in five sectors (electricity generation, automobiles, cement, steel, and coal), in 2022 it has published decarbonization targets for the Oil and Gas sector[31].

Likewise, customers, markets and society as a whole not only expect large companies to create value, but also expect them to contribute positively to society and that the economic development to which they contribute with their financial activity is inclusive. contributing to a just transition.

BBVA has a governance model at the highest level that has incorporated sustainability as one of its six strategic priorities, integrating it transversally into the executive sphere. BBVA has carried out an analysis of risks and opportunities associated with climate change and has a risk management model as described below. Likewise, BBVA has an additional objective to the decarbonization objectives mentioned above of channeling 300,000 million euros into sustainable business between 2018 and 2025.

[31] For upstream financing.

2.3.2 Governance model

Corporate bodies

BBVA's corporate bodies have defined and promoted that the Group has a strategy that incorporates sustainability as one of its priorities. Sustainability was embedded in the Group's strategic plan in 2019.

For the Board of Directors, an essential element of this strategic approach is the integration of sustainability into the Group’s businesses and activities, managing the risks associated with these areas, and considering them a great business opportunity to support its growth strategy. Combined with this is the establishment of targets which facilitate their execution, supervision and monitoring. This approach allows the Group's corporate bodies to define the basic lines of action for BBVA as regards the management of opportunities and risks arising from sustainability and oversee their execution by the executive areas in all spheres of the Entity’s operations.

For this role, the Board is assisted by its committees on matters within their respective areas of concern. The Executive Committee plays an active role in promoting this strategy and monitoring the integration of sustainability into the Group's business processes and activities.

Also important is the role of the Risk and Compliance Committee, which assists the Board of Directors in the integration of sustainability in the analysis, planning and management of the Group's risks, and in supervising their execution; that of the Audit Committee, in supervising the public information on sustainability reported to the market; and the Remuneration Committee, in driving the integration of indicators related to sustainability in the Group's variable remuneration model.

In the exercise of these functions, in 2022 the Board approved the update of the General Sustainability Policy, which integrates the previous Corporate Social Responsibility Policy and the General Sustainability Policy. The new policy sets out the general principles and the key management and control objectives and guidelines to be followed by the Group in terms of sustainable development with a focus on climate change, natural capital and inclusive growth.

In addition to this, there is the role of the corporate supervisory and monitoring bodies for the implementation of the Group's sustainability strategy and activity, and compliance with the organization's objectives, which is carried out based on the reports received by the Sustainability Area and the different areas of the Bank which incorporate sustainability into their daily businesses and activities. The reports are submitted to the corporate bodies according to their area of concern along the lines described in the preceding paragraphs, on a scheduled or ad hoc basis.

To achieve the best performance of its functions in this area, the Board of Directors believes it necessary to have suitable knowledge and experience in sustainability matters. To this end, it continues to conduct initiatives that involve the recruitment, within the process of gradual replacement its members, of directors with extensive knowledge and experience in these matters, and in the extension of the continuous training program of its members to matters related to sustainability.

Cross-cutting integration of sustainability into the executive sphere

BBVA incorporates sustainability as part of its daily activities, encompassing not only relations with customers but also internal processes. The definition and execution of the strategy, which includes sustainability and climate change as one of its priorities, has a transversal nature, being the responsibility of all areas of the Group to incorporate it progressively into their strategic agenda and their work dynamics.

In 2021, BBVA gave a fresh impetus to its strategy by elevating sustainability to the highest executive level of the organization, reporting directly to the CEO and Chair (in this case, in areas linked to strategy and transformation) by creating the Global Sustainability business area.

In a context in which all the Group employees and areas integrate sustainability into their day-to-day activity, the new global area designs the strategic sustainability agenda, defines and promotes the lines of work in this area of the different global and transformation units (including Finance, Talent and Culture, Data, Engineering, and Organization among others) and develops new sustainable products.

In addition, BBVA has established a network of experts, comprising sustainability specialists from different areas of the Group (Client Solutions, Corporate & Investment Banking, Asset Management, Global Risk Management and Global Sustainability), coordinated as a network by the global Sustainability area. These experts are responsible for building knowledge in the field of sustainability at the Group. This knowledge is then used to provide customer guidance, support areas in developing new value propositions in the sphere of sustainability, make climate change risks part of risk management, and draw up a public agenda and set of sustainability standards.

The Group's sustainability governance model integrates a suitable structure of corporate bodies with a robust executive structure that reports to them. It combines the cross-cutting reach of the global sustainability area with the execution of the strategic priority in the various business areas, which allows the Board and its Committees to have the necessary information to make suitable decisions and perform their supervisory and control function.

2.3.3 Risks and opportunities associated with climate change

Climate change risks for BBVA

There are two type of risks that impact the business of BBVA or its customers:

Transition risks

These are the risks pertaining to the transition to a low-carbon economy, and which arise from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change.

TRANSITION RISKS

Risk subtype	Risks associated with climate change	Risk description	Time horizon [1]
Legal and regulatory	Increase in the cost of CO_2 emissions	Financial risk to BBVA customers whose liquidity or earnings could be harmed from having to face higher costs or, alternatively, higher investments in emission neutralization, resulting from regulatory changes	ST
		Increased cost of direct emissions from the Bank in its operations	ST
	Increase in monitoring and tracking requirements	Increased staffing and economic resources for the study and monitoring of the Group's clients, and tracking of their compliance with environmental requirements	ST
	Changes in the regulation of existing products and services	Uncertainty for financial agents regarding changes and their implementation	ST
		Impairment of client asset positions due to the generation of stranded assets (assets that prior to the end of their economic life are no longer able to earn an economic return)	MT
		Sales drop due to adjustments to offerings, to align with new legal specifications for a product	MT
	Increase in regulatory capital requirements due to risk associated with climate change Increase in regulatory capital requirements due to risk associated with climate change	Possibly different prudential treatment of financial assets in terms of riskweighted assets based on their exposure to physical and transition risks	MT
		Adverse regulatory changes that may cause certain exposures on BBVA's climate change balance sheet to have higher capital consumption	MT
	Risks of environmental lawsuits	Possible lawsuits against BBVA for not complying with environmental regulations in its business or supply chain	ST
	Risk of lawsuits against third parties	Potential lawsuits for environmental crimes against BBVA clients. BBVA could be impacted by its clients' loss of solvency resulting from an increase in litigation costs	ST
Technological	Replacement of existing products and services with lower-emission alternatives	BBVA clients with a position in sectors that are outperformed by alternative technologies could suffer solvency problems and their ability to cope with their credit commitments could be diminished	ST
	Failed investment in new technologies	Clients that invest in failed technology may go through solvency difficulties and be unable to meet their credit commitments	ST
	Cost of transitioning to low-emission technology	The necessary investments to be made by BBVA clients to change their production models and in R&D can have a negative impact on the balance sheet structure or profitability of said clients if they are not made properly and reduce the ability to meet their credit commitments	ST
		Costs of investing in remodeling and adapting BBVA-owned buildings	ST

Market	Changes in (market) trends, financial agent and consumer preferences	Changes in demand caused by changes in consumer preferences can lead to falls in sales for BBVA clients and result in loss of profits and solvency	ST
		Reduction in demand for certain products can cause price falls that affect the valuation of companies' assets (crude oil reserves, fossil fuel cars, etc.)	ST
		Increased demand for certain products or services may impact on the price of certain raw materials. While this may be reflected in prices, it may lead to lower profits or the loss of BBVA's clients' market share	ST
		Risk of change in the Bank's client preferences for not considering the Bank well positioned in the sustainable segment	ST
	Uncertainty in market signals	Difficulty or impediments to proper price formation or allocation of financing or investment sums	ST
		Forecasts made by research agencies or services to dictate the strategy of entities may not be fulfilled due to abrupt changes in the market caused by changes in regulations or demand	ST
	Increased cost of raw materials	Sharp changes in the price of raw materials, resulting in changes in supply or energy cost, can lead to deteriorating liquidity and declining profits for clients. It can be mitigated with end-product price increases	ST
		BBVA's energy supply cost could also be affected	ST
	Financial risks	Risk of a significant increase in the cost of financing clients with higher exposure to climate change risks, in a way that affects their solvency by making it more difficult for them to cope with their credit commitments	ST
		Risk of worsening the credit rating of clients with exposure to climate change risks, with the associated adverse effects for BBVA	ST
Reputational	Change in consumer preferences	Direct risk of client loss for not meeting what various stakeholders expect from BBVA as regards the climate change challenge and fostering a more inclusive world	ST
		Indirect risk of our clients losing business, which affects their solvency, because they engage in an activity that is not considered sustainable	ST
		Demand from clients to limit our operations' direct impacts	ST
	Stigmatization of a sector	Risk of assets stranded by a sharp change in the perception of a sector, with significant loss of sales	ST
	Investment exclusions in certain sectors due to market pressures	Withdrawal from profitable deals due to reputational risk or a sectoral ban	ST
	Policy implementation	Risk derived from greater 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 considered insufficient.	ST

(1) ST: Short Term, <4 years; MT: Medium Term, 4-10 years; LT: Long Term, >10 years.

Physical risks

Risks which arise from climate change and can originate from increased frequency and severity of extreme weather events or long-term weather changes, and which may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

PHYSICAL RISKS

Risk subtype	Risks associated with climate change	Risk description	Time horizon [(1)]
Acute risks	Increased severity of extreme weather events, such as cyclones and flooding	Reduced revenue from decreased production capacity (e.g. transport difficulties and supply chain disruptions)	MT
		Direct losses from asset damage (BBVA and clients)	MT
		Increased cost of insurance	MT
	Business continuity problems	Damage to BBVA facilities from environmental catastrophes that hinder normal service provision	MT
Chronic risks	Changes in precipitation patterns and extreme variability weather patterns	Loss of value of clients' assets (guarantees) because they are located in areas with water supply problems (desertification)	MT
		Increases in clients' operating costs (investments in agriculture)	MT
		Lower renewables production (hydro and wind)	MT
	Rising average temperatures	Population movements that can lead to depression in certain areas, accompanied by loss of business	LT
	Sea level rise	Threats to client assets that can lead to loss of profits and their solvency	LT

[(1)] ST: Short Term, <4 years; MT: Medium Term, 4-10 years; LT: Long Term, >10 years.

Climate change opportunities for BBVA

As well as the risks described above, a number of associated opportunities have arisen which BBVA is considering to use and position itself correctly with respect to the major disruption represented by climate change.

CLIMATE CHANGE OPPORTUNITIES FOR BBVA

Sector	Opportunity	Time Horizon [(1)]
Oil & Gas	Possibility of reusing oil & gas transport assets for biofuels and hydrogen	MT
	Electrification of the oil and gas industry, and use of hydrogen	MT
Chemicals	Carbon capture and storage through chemical separation of carbon dioxide for later reuse	ST
Electricity	Strong boost to renewable energy, electricity storage	ST
	Energy efficiency services and hydrogen development	MT
	Development of nuclear fusion	LT
Construction & infrastructures	Boostering the distribution of solar panels	ST
	Renovation of buildings (headquarters, housing, premises, etc.) as well as industrial plants in need of energy-efficiency improvements because of the increased regulatory impact and self-consumption	ST
	Infrastructures to improve climate change adaptation: changes in cities, development of a smart grid, charging infrastructure for electric vehicles	ST
Transportation	Efficient low-emission and mobility services (electrical, Liquefied natural gas -LNG- and hydrogen)	ST
Mining & metals	Production of metals to manufacture electric vehicles (copper, lithium, cobalt and nickel among others)	ST
Agriculture	Efficient irrigation systems, use of waste as a source of biogas	ST
	Renewable energy use (solar) in agricultural plants	MT
	Development of new anti-drought products	MT
Carbon markets	Creation of carbon credit markets	ST
Other sectors	Circular economy, recycling, waste and water treatment, tree planting, food industry, tourism industry conversion to carbon neutrality (fossil fuel change, etc) and natural capital	ST

[(1)] ST: Short Term, <4 years; MT: Medium Term, 4-10 years; LT: Long Term, >10 years.

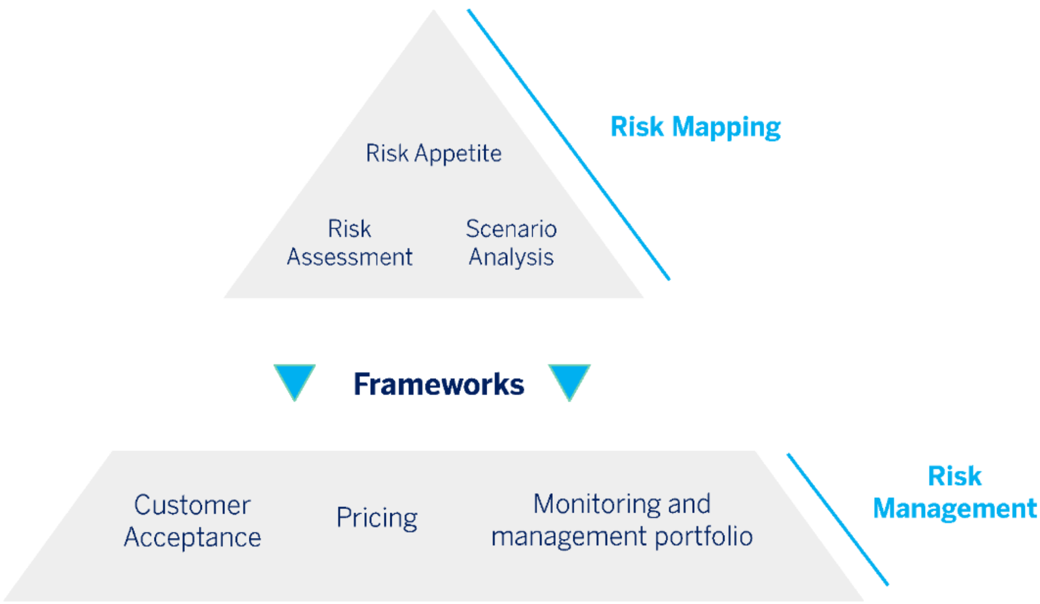
2.3.4 Management of risks associated with climate change and environmental factors

Integrating climate change into risk planning

The risks associated with climate change (transitional and physical) are considered as an additional factor affecting the risk categories already identified and defined in the BBVA Group and are therefore managed through the Group's risk management frameworks (credit, market, liquidity, operational and other non-financial risks). As a result, the integration of climate-change related risks into the BBVA Group's risk management framework is based on their incorporation into the governance and processes currently in place, taking into account regulatory and supervisory trends.

Correct planning requires reliable, complete and up-to-date data. Accordingly, in 2022 work continued on the deployment of the sustainability data strategy, based on the Principles for effective risk data aggregation and risk BCBS 239, in which sustainability data needs have been identified, data gaps have been assessed and a conceptual model and implementation plan have been developed. All this is geared to guaranteeing a comprehensive vision of the Group's climate change risks to ensure their correct control and management. In response to both regulatory and management needs, and so on, the data considered include data related to customer climate scorings, real estate energy efficiency certificates, ESG ratings, greenhouse gas emissions, asset and collateral location and sector-specific metrics, etc.

Climate change risk management in BBVA Group is based on the risk planning process which is marked by the defined risk appetite and makes use of management frameworks which establish how these risks are to be addressed in day-to-day business activities.



Risk planning:

Risk appetite Framework (RAF)

BBVA's Risk Appetite Framework, approved by the corporate governance bodies and applicable to all the Group's material geographic areas, determines the risk levels that BBVA is willing to assume to achieve its targets, considering the organic evolution of the business. It is organized under a pyramidal structure that starts from the thresholds of the core metrics and the metrics by type of risk and declines in a framework of management limits. The Framework has a general statement that sets out the general principles of the risk strategy and the target risk profile. The statement includes a commitment to sustainable development as one of the elements defined by the BBVA business model, focusing on supporting the customer in the transition toward a sustainable future, and incorporating the climate factor in risk management. This statement is complemented and detailed by a quantification of the appetite through metrics and thresholds that provide a clear and concise guide to the maximum acceptable risk profile.

A quantitative transition risk metric has been incorporated into the framework since 2021. This High Transition Risk metric measures Exposure at Default (EAD) in relation to capital of the activities most exposed to transition risk in accordance with the Taxonomy defined internally (High Transition Risk), focusing on activities classified as High or Very High risk. With respect to this metric, the Board of Directors of BBVA has approved thresholds at a Group and geographic area level, which determine the maximum appetite for this risk.

Furthermore, a new metric has been included in the 2023 management limits, called High Market Misalignment. This metric is defined as the percentage of the capital base of exposure to customers whose issuance intensity is above 30% of the market average. This metric takes a transition risk management approach by focusing on customers with a clear level of misalignment with respect to the emissions intensity trajectories established by the International Energy Agency, The Net Zero Emissions scenario for each of the sectors. The calculation scope is the loan portfolio of the automotive, power generation, steel and cement sectors.

The definition of the levels of tolerance established in the Risk Appetite Framework are based on the Risk Assessment and Scenario analyses described below.

Risk Assessment

This section firstly provides a self-assessment of how the different climate-change related risk factors impact on the main types of risk currently existing (credit, market, liquidity, etc.); secondly, an analysis of the sectors that are most sensitive to this risk (under the so-called "internal risk taxonomy"); and, finally, the methodology used to assess the climate vulnerability of the relevant geographic areas where the BBVA Group operates. These last two aspects are integrated into the management through processes such as admission frameworks or the establishment of risk limits.

As part of its General Risk Management and Control Model, the Group develops periodic risk identification and assessment processes to identify material risks that could have a negative impact on its risk profile and to manage those risks actively and proactively. These processes cover all types of risks faced by the Group in its daily activity, including those risks that are more difficult to quantify. Since 2022, the General Risk Management and Control Model specifically considers sustainability as an essential part of the Group's strategy.

The Global Risk Assessment is a prospective exercise which updates at least twice a year, and allows a comparison between risk types, business activities and moments in time, facilitating the understanding of the Bank's positioning and its development, and identifying the material risks to cover with capital. Since 2020 the Group has carried out a climate assessment, mainly of a qualitative nature, which assesses BBVA's vulnerability to transition and physical risk. As in the case of the global assessment, the climate assessment process is of a participative and global nature in the GRM area. The results of the assessment are submitted to the highest executive risk committee (GRMC), as well as the corporate bodies, as this assessment is integrated in key corporate processes such as the Risk Appetite Framework and the Internal Capital Adequacy Assessment Process (ICAAP).

The climate change risk assessment process runs parallel to the Group's global risk assessment, although there are two major differences. First, there are still no mature indicators to assess the different risks quantitatively and second, the time horizon of the analysis is much more extensive. The analysis is carried out for a short-term horizon coinciding with the planning horizon (4 years), medium term (4-10 years) and long term (over 10 years). The climate change risk assessment, like the other risks, is carried out from two perspectives of the global assessment:

1. Identification of risk events: transition risk and physical risk are included in the identification of risk events that may have a material impact on the Group. Below is the matrix of risk events identified in 2022 that are graphically represented according to their estimated impact on the BBVA Group and their assigned probability.

RISK MATERIALIZING IN THE SHORT TERM: TIME HORIZON 12-18 MONTHS

Climate change risk is included as a material event in this inventory since 2019. The assessment in the analysis of climate change risk events classifies physical and transition risks. In the short term (12-18 months), it is considered that an accelerated transition to a low-carbon economy would entail a medium-impact risk event, although the probability currently given to this type of scenario is medium low. At a medium/long-term time horizon, the risk of physical climate change is included in the inventory of emerging risks (those that may have an impact on a longer horizon) and is assigned a medium risk.

2. Risk level assessment: The second approach followed in risk assessment is based on an assessment of the profile of each type of risk expressed in a heat map. In 2022, the analysis was extended to the six relevant geographical areas of the BBVA Group (Spain, Mexico, Turkey, Argentina, Peru and Colombia). The financial year incorporates risk factors, such as the carbon footprint of customers, the energy efficiency of real estate collateral and the emissions financed, to name a few. Work has also been done on the preliminary inclusion of quantitative metrics for certain risk factors, especially exposures to activities that are sensitive to transition risk (include table of indicators).

The conclusions of the assessment for 2022 suggest that the main risks emerge in medium- and long-term loan portfolios, with an earlier impact on transition risk in Spain given the speed of this geographic area in adopting decarbonization policies. In contrast, there has been a reduction in risk due to regulatory pressure in emerging geographies. The factor that has the greatest impact in the long term on credit risk is that derived from the investments in technological change that companies will have to carry out in order to decarbonise. With respect to the impact of physical risk on loan portfolios, the greater frequency/severity of extreme meteorological events and structural changes in climate patterns explains the deterioration shown in the assessment over longer-term horizons. Also noteworthy is the increase in medium-term insurance risk associated with the increase in reinsurance premiums, which may have an impact in the medium term, although the level of risk remains at a medium-low level.

The impact of transition risk on liquidity risk is low due to the stability of the retail deposit base and the high asset quality of the liquid asset buffer. Market risk is equally low, due to the diversification of the equity portfolio and low exposure to sectors sensitive to transition risk in the fixed-income portfolio.

As for operational risk, there is a difference in the perceived risk in Spain (medium-low) and in the rest of the geographic areas (medium-high), due to the greater exposure of the latter to physical risk in the medium and long term.

RISK ASSESSMENT CLIMATE CHANGE 2022

	Spain			Rest of geographical areas		
	ST	MT	LT	ST	MT	LT
Transition risk						
Credit	Moderate-low risk	Moderate-high risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk
Liquidity and funding	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Structural equities risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Credit spread risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Markets (trading)	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Insurance	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Operational	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk
Reputational	Moderate-low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk
TOTAL	Moderate-low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-low risk
Physical risk						
Credit	Low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk
Liquidity and funding	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Structural equities risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Credit spread risk	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Markets (trading)	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Insurance	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Operational	Low risk	Low risk	Moderate-low risk	Moderate-low risk	Moderate-high risk	Moderate-high risk
TOTAL	Low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk

Temporary horizons definitions:

ST: short term; up to 4 years (planning horizon)

MP: medium term from 4 to 10 years

LP: long term; more than 10 years

- Low risk
- Moderate-low risk
- Moderate-high risk
- High risk
- Not applicable

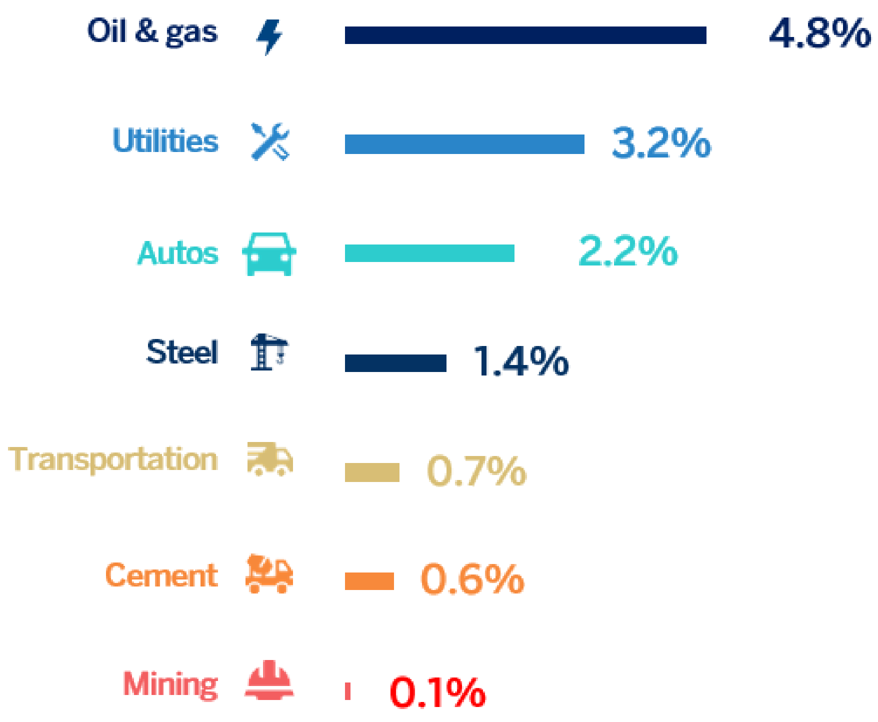
Within the scope of preparing and defining its industry frameworks governing the credit admission process, BBVA has developed an internal Taxonomy of transition risk in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the customer level to assess their vulnerability and to integrate this aspect into risk and customer support decisions.

The estimation of the transition risk-sensitivity level is based on the qualitative analysis of the amount of exposure to regulatory, technological and market changes caused by decarbonization that may have a financial impact on the companies of the industry and on the estimation of the time horizon impact of these effects.

Therefore, industries are categorized according to their level of sensitivity to transition risk: very high, high, moderate or low. The industries identified as most sensitive to transition risk are energy or fossil fuel generation sectors (energy, utilities and coal mining); emission-intensive basic industries (steel, cement); and activities that are final users of energy and generators of emissions through their products or services (vehicles manufacturers, air and sea transportation).

As a result of this exercise, with data as at December 31, 2021, 12.95% of the exposure (measured by EAD) of the wholesale portfolio (equivalent to 6.69% of the Group's portfolio) has been identified as corresponding to sectors defined as "high transition risk", with a high or very high level of exposure to this risk. This calculation was made on a portfolio of €209,759m (of the Group's total EAD of €406,097m), corresponding to the EAD of the wholesale lending portfolio.

The percentage of exposure measured by EAD of the sectors sensitive to the transition risk of the wholesale portfolio over the EAD of the wholesale portfolio at December 31, 2022 are as follows:



Prepared by BBVA. Includes the percentage of exposure at default of activities internally defined as "transition risk sensitive" over the EAD of the wholesale portfolio as of December 31, 2021 (not including the subsidiaries of Garanti, Forum Chile, Uruguay, Venezuela and BPI). The "transition risk sensitive" portfolio includes activities that generate energy or fossil fuels (energy, utilities, excluding renewable generation and water, waste treatment and coal mining), basic industries with emission-intensive processes (steel and cement), final activities users of the energy through their products or services (vehicles manufacturers, air and sea transportation) and mining, with a high or very high level of sensitivity to this risk.

During 2022, this calculation was introduced for the small business sector (SMEs and the self-employed). The results obtained 2022 indicate that the EAD associated with high or very high transition risk in this portfolio is limited, at around 3%, and focused in mainly in Spain and in the automotive (components) sector.

In addition, climate change and environmental risk impact has been incorporated into country risk analysis since 2019, as an additional input for establishing risk policies affecting exposures to private or sovereign administrations of all the countries with which the Bank has some type of risk (+100 countries).

Analysis of scenarios and stress testing

Scenarios and internal stress tests

The climate scenarios have been integrated into the governance of the BBVA Group's internal scenarios, with initiatives being developed in several areas:

1. The climate reflection is presented together with the preparation of the budget baseline scenario. It reviews the climate policies in place in each relevant geographic area, their effective relevance within the overall economic policy framework, their consistency with the transition to a decarbonized economy and whether there may be any bias on the economic growth of the budget baseline scenario due to its potential development.

2. The climate driver has been integrated into the high-level risk scenarios (HLRS) which are monitored and assessed continuously in the Group by the Scenario Working Group. They serve as a basis for choosing the scenario which is used in the Group's internal capital adequacy assessment process (ICAAP).

In 2022 different physical risk events in Spain were assessed in order to consider them as input in the ICAAP. Among the events taken into account, drought is considered relevant for the design of physical climate change risk scenarios due to its presence in recent history, its persistence over time and its impact on the economy.

Regulatory and supervisory scenarios and stress tests

In October 2021, the ECB published the methodology for the stress tests on climate change risk scheduled for 2022 in the months March to July. 104 entities participated fully or partially in this exercise, and of these, 41 entities, including BBVA, participated in the whole exercise. The exercise was based on three different modules, with the following contents:

1. Module 1: qualitative questionnaire about the internal framework of climate stress testing including 11 blocks with topics related to governance, RAF, integration with the strategy, ICAAP and future plans

2. Module 2: analysis of the current portfolio of entities with respect to revenue dependence on polluting[32] sectors as well as emissions financed in such sectors
3. Module 3: Bottom-up stress testing and loss projections with different types of risks and horizons considered:
    - Transition risks:
        - Short-term (3-year projection) including both credit risk and market risk, based on the Network for Greening the Financial System Disorderly scenario (NGFS)
        - Long term (2030-2040-2050), including only credit risk and considering dynamic balance sheet projections based on both the macro situation and the Entity's strategy covering three NGFS scenarios (Hot House, Orderly and Disorderly)
    - Physical risk (credit risk): two one-year projections each, considering a flood scenario and a drought and heat wave scenario
    - The exercise covered operational risk and reputational risk by means of qualitative questionnaires

In order to comply with the methodology required by the ECB in this exercise, a sectoral layer has been incorporated into the loss projection models. These models, together with the sectoral scenarios published by the ECB, have made it possible to make projections reflecting the idiosyncrasies of each sector. In this way, the possible differences in sensitivities to climate change risk in each of them are adequately reflected through differentiated impacts.

[32] The exercise focused on a list of 22 NACE sectors published by the ECB.

Identification, measurement and integration of climate change risk into risk management

Once climate change risk is incorporated into the Risk Appetite Framework and the business strategy, it must also be included in the day-to-day risk management, which is a part of the risk decision making that supports the Group's customers.

It is therefore necessary to identify this risk type for subsequent integration into the existing management processes, including the adaptation of policies, procedures, tools, parameterization, risk limits and risk controls in a consistent manner. Currently, BBVA is developing the methodologies and tools it needs to identify and measure the different components of climate change risk, and the financial impact analysis of each of them for their subsequent integration into the management. These tools are based on the metrics of financed emissions, alignment with decarbonization pathways, analysis of the vulnerability and exposure to climate hazards of our customers and their collaterals, and the analysis of climate scenarios that allow for a prospective view of risks, opportunities and their financial impacts.

The adaptation of policies and procedures initially focused on the integration of transition risk in the Sectoral Frameworks (a basic tool in the definition of risk appetite in wholesale loan portfolios) where climate criteria are specified in the admission guidelines and in the mortgage and vehicle action frameworks in retail credit. In 2022, sectoral analyses of the risks derived from decarbonization were developed according to the baseline scenarios. This work made it possible to define strategies and business plans aimed at meeting the alignment objectives established in the medium term, as well as mitigating the risks related to decarbonization on the balance sheet.

Sector plans

The Group is working on drawing up strategic sector plans for all sectors for which a portfolio alignment and/or exit objective has been defined. The content of these plans includes an analysis of the risks and opportunities of the sector, the long-term vision of the role of the sector in the decarbonization of the economy and the strategic responses of the actors of the entire sector.

In addition, the plans include an analysis of the current state of the portfolio and the positioning with respect to the Group's objective for the sector, as well as the identification of drivers to manage the risk of portfolio transition, including the portfolio alignment metric. . All this is reflected in the formulation of a business plan, which includes the identification of opportunities with existing and potential clients, and a tiered approach to define the appetite towards clients in the sector. These business plans allow the definition of projected decarbonization curves for each sector to monitor progress in the alignment exercise.

During 2022, a series of multidisciplinary working groups have been launched, made up of teams from GRM, CIB, Sustainability and Strategy, called Climate and Environmental Sectoral Panels. These groups have developed Sector Strategic Plans in the oil & gas and electricity (which includes electricity generation) sectors. This work has made it possible to define strategies and business plans aimed at meeting the alignment objectives established in the medium term as well as mitigating the risks related to decarbonization in the balance.

Loan portfolio alignment with Paris Agreement

The Net Zero 2050 commitment (zero net emissions in 2050) also includes emissions from customers who receive financing from the Bank. For this reason, in order to accompany its clients in the transition towards a more sustainable future, with specific plans and objectives, BBVA undertook to publish alignment objectives for the sectors defined in the Guide to set the Net Zero Banking Alliance objectives.

BBVA's commitment to alignment involves establishing a framework comprising objectives and commitments for the different sectors considered to be the greatest emitters. These objectives, as defined in the aforementioned Guide, must be set at the sectoral level. In this sense, BBVA announced its objective of phase-out of activities related to coal, ceasing to finance companies involved in these activities before 2030 in developed countries and before 2040 in the rest of the countries in which BBVA is present. (under the terms of the Environmental and Social Framework).

Under the PACTA[33] methodology, BBVA published intermediate decarbonization targets for 2030 for the electricity generation, automobile, steel and cement sectors, which, together with coal, account for 60% of global CO_2 emissions. The Net Zero scenario of the International Energy Agency (IEA) has been used as a benchmark.

In 2022, BBVA published its alignment target for the Oil & Gas sector. BBVA is participating in the definition within the NZBA of a specific guideline for this sector. However, given its relevance in global emissions, it was decided to publish a metric that would include the largest amount of emissions given the information available. The PCAF methodology has been used for the calculation and a scope 1, 2 and 3 absolute emission reduction target has been established for oil exploration and production.

The following table details the metrics chosen, the scope of emissions considered, the metric of the current situation, the methodology used and the decarbonization target for 2030 for the sectors in which decarbonization targets have been defined.

[33] Partnership for Carbon Accounting Financials (PCAF):This initiative was born in 2019 and its objective is to establish an international methodology to measure and disclose greenhouse gas emissions financed by banks and investors.

Sector	Metric	Emission scope	2020 baseline	2030 target	Target Reduction	2021	2022	Market scenario	Reduction 2022 vs baseline	Methodology	Attributed emissions associated with the value chain (MTn CO_2e) [2]
Oil & Gas	Absolute emissions upstream (million t)	1&2&3	14	9.8	(30)%	14	—	n/a	n/a	PCAF	n/a
Power Generation	Emission intensity (Kg CO_2e/ MWh)	1&2	221	107	(52)%	199	212	414	(4.07)%	PACTA	3.5
Automotive	Emission intensity (g CO_2/v-km)	3	205	110	(46)%	202	195	180	(4,88) %	PACTA	0.77
Steel	Emission intensity (Kg CO_2 /tonne steel)	1&2	1270	984	(23)%	1250	1140	1750	(10.24)%	PACTA	0.82
Cement	Emission intensity (Kg CO_2 /tonne cement)	1&2	700	579	(17)%	690	690	700	(1.43)%	PACTA	0.31
Coal	Portfolio tred (€Mn)	n/a	Zero Plan: • 2030 for developed countries • 2040 for the rest of the countries								

n/a: not aplicable.

[1] Oil & Gas baseline year 2021.

[2] The calculation of the attributed emissions associated with the value chain has been carried out by adding all the emissions from the different NACE sectors of the sectors under analysis. These NACE sectors comprise more sectors than those included in the PACTA calculation since PACTA is only calculated on the point in the value chain where most of the emissions are generated. This calculation is carried out in this way because, based on the PACTA methodology, it is assumed that by aligning the part of the value chain responsible for emissions, the sector as a whole is aligned. The calculation has been carried out using the PCAF methodology and includes the issues of BBVA.S.A.

It is important to emphasize that the baseline of these metrics may change, since the sources of information used and the methodology are constantly changing. BBVA's commitment is to maintain the level of ambition for reduction despite the fact that the baselines may change.

In this sense, the baseline of the electricity generation, steel and cement sectors has been modified and the objectives have been adjusted maintaining the level of ambition. These changes have been due to improvements in the calculation methodology and in the databases used. The primary provider of emissions intensity information is Asset Resolution, which provides asset information for the portfolio included in the calculation perimeter. The coverage percentage is between 95% and 100% depending on the sector under analysis.

In order to follow up on these objectives and supervise their compliance, the Bank has tested a governance framework that includes the creation of a Sustainability Alignment Steering Group (SASG) made up of the heads of the Business, Risk, Sustainability and Strategy areas, with the following functions:

- Approval of the sectoral alignment objectives and intermediate objectives, as well as the methodologies used in their calculation.
- Evaluation of the fulfillment of these objectives and the promotion of initiatives to facilitate their management.
- Analysis and understanding of the best practices in the sector, promoting the integration of sustainable criteria in day-to-day business.

After having passed through the SASG, the monitoring of compliance with the objectives, including the explanation of possible deviations and measures to redirect them (if applicable), will be submitted for review to the highest executive level and subsequently to the corporate bodies, at least twice a year.

To facilitate effective management and compliance with the alignment objectives, BBVA has developed a series of internal tools that allow it to integrate the management of these objectives into the day-to-day risk and business processes. These tools include:

- Alignment dashboard with PACTA methodology.
- TRi (Transition Risk Indicator), a tool for assessing each customer's current emissions profile and decarbonization strategies.
- Sustainability Client Toolkit, which compiles ESG information from large corporations and/or entities with public information that is required at management level in a single repository for use from the front end.

During 2022, a series of multidisciplinary working groups, consisting of teams from GRM, CI&B, Sustainability and Strategy, were launched, under the name Climate and Environmental Sectoral Panels. These groups have developed Sector Strategic Plans in the Oil & Gas and Utilities sectors (including power generation). This work made it possible to define strategies and business plans aimed at meeting the alignment objectives established in the medium term, as well as mitigating the risks related to decarbonization on the balance sheet.

This work is a fundamental part of portfolio alignment management and input for the definition of the risk appetite included in the Sector Frameworks. In 2023, plans will be implemented for the rest of the sectors for which an alignment objective has been defined.

Calculation of financed emissions

BBVA is working on the measurement of emissions financed in retail and wholesale portfolios. To carry out this measurement, BBVA has adopted the PCAF (Partnership for Carbon Accounting Financials) methodology. This calculation will cover all the portfolios and geographic areas to obtain a global vision of the emissions financed, identify in what portfolios and sectors these emissions are concentrated and then define mitigation plans for them, and a cross-cutting view of the quality of the data available to make these calculations.

In the defined roadmap, the calculation at the end of December 2022 includes the measurement of the issues financed for the perimeter of loans to companies, project financing, commercial real estate, mortgages and autos) within the scope of BBVA, S.A. For the perimeter described, a calculation of 34.5 million tons of CO_2e has been obtained. In parallel, the Group is working on the inclusion of the rest of the portfolios and geographical areas during 2023.

As a result of the estimation of the issuances of the financing limited to BBVA, S.A., 72% of the financed issuances are obtained in corporate loans, concentrated in 3 sectors that represent 43% of the risk arranged subject to PCAF: Manufacturing, Electricity generation, gas, steam and air conditioning and Mining and quarrying with an economic intensity of financed emissions of 0.7, 0.6 and 2.2 million tons of CO_2e/M€ respectively.

The sectors with the highest weight in the financed emissions for the BBVA, S.A. perimeter are detailed below:

FINANCED EMISSIONS (BBVA BUSINESS IN SPAIN. 2022)

Sector	Emissions financed ($MtCO_2e$)	Intensity (tCO_2e/€M)	*Score*
Agriculture, forestry and fishing	2.0	1,116	4.4
Mining and quarrying	4.4	2,264	4.9
Manufacturing	16.4	756	4.6
Power generation, gas, steam and air conditioning	5.4	671	4.9
Transport and storage	2.4	448	4.5

PCAF offers various levels of quality scores when calculating financed emissions. The criterion takes into account the availability and reliability of the data used in the calculation by the entities and is measured based on a scale from 1 to 5. This means, that the score is situated at a higher level if the quality of the data is lower (estimates by sector or trends by industry, for example), tending to 5. On the contrary, the best score is obtained when the calculation of financed emissions is based on data on emissions reported and verified at the individual counterparty level (score 1).

Measurement and integration of transition risk

In 2022, sustainability factors continued to be included as one of the analysis axis in the Action Frameworks of all the sectors included in the taxonomy as High transition risk. In these Action Frameworks, the risks and opportunities of the climate transition are incorporated as an additional factor in the definition of the risk portfolio view, which is carried out annually and where the risk appetite is defined at sector level.

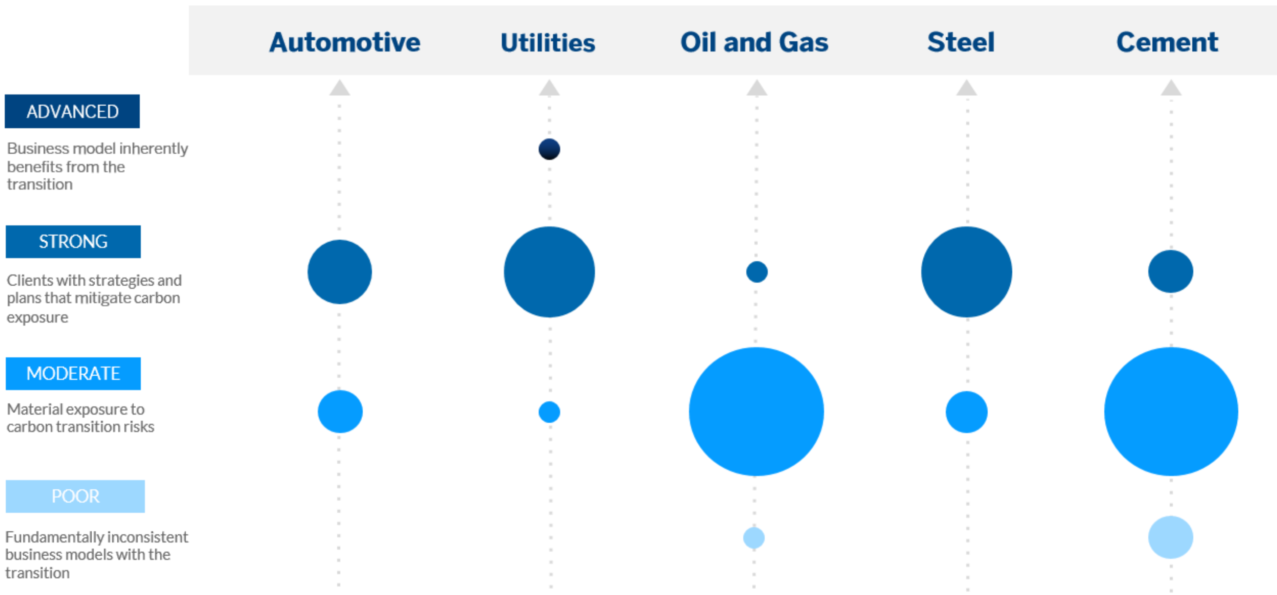
In sectors classified as High transition risk, transition risk assessment criteria have begun to be defined at customer level based on their alignment with the objectives of the Paris Agreement or the ambition and credibility of their transition plans. In some cases, this analysis leads to the definition of specific risk policies with the customer or to the definition of credit risk mitigants.

In addition to the integration into the sectoral frameworks, in 2022, sustainability factors also continued to be systematically integrated into the customer analysis processes for credit origination, enabling their incorporation into decision making.

This analysis is performed in an environment integrated in BBVA's systems, called ESG Client Toolkit, which presents a common interface for the Risk and Business teams where the customers' sustainability information is viewed. This interface provides insight into climate transition strategies, governance and climate change risk and opportunity management practices, decarbonization metrics and targets, as well as progress in the management of other ESG aspects material to the customer's sector of activity, its compliance with BBVA's Environmental and Social Framework, existence of social, environmental and ethical controversies and its level of alignment with the objectives of the Paris Agreement and level of emissions financed. This environment integrates the calculation of the transition risk scorecard, known as the Transition Risk indicator.

Moreover, for those sectors classified as high transition risk, an advanced transition risk scorecard has been developed to incorporate transition risk dimensions in the customer's profile. The scorecard evaluates the company's current low-carbon profile; the levels of regulatory pressure in the geographic areas where it is present; its level of disclosure on climate management in line with TCFD recommendations; and the ambition and maturity of its decarbonization objectives. The result of the scorecard is a valuable tool to better identify the strengths and weaknesses of customers and to define concrete products to help them in the transition to low-carbon business models.

In 2022, versions of the transition scorecard were developed for the steel and cement sectors to join those previously defined for Automotive, Power Generation and Oil & Gas. The number of customers for whom the transition scorecard is available has been significantly expanded and work has begun on integrating it into standard risk management processes. The following image shows the results of the transition scorecard of the main customers in BBVA's Automotive, Oil & Gas, Power Generation, Steel and Cement manufacturing portfolio (the size of the circles represents the number of customers in each category):



In the retail area the transition risk analysis was focused on the mortgage, auto loan and SME portfolios. In all of them, one of the main aspects that determines the transition risk are carbon emissions associated with each of them. These emissions are associated with the use of fossil fuels or electricity, or dependence on them for the correct operation of the asset or customer. Therefore, the calculation of financed emissions serves as a lever to identify the portfolios that are most sensitive to changes in regulation, fuel prices or depreciation of certain types of "unsustainable" assets. In turn, to mitigate risk, BBVA also acts as a financing facilitator to address the investments required for climate change mitigation and adaptation to climate change with more sustainable forms of life and products.

In the case of mortgages, during 2022 we worked on the correct collection of consumption and emissions data associated with mortgage guarantees, both from real and estimated Energy Efficiency Certificates (EEC), and in Spain we are promoting the standardized and homogeneous collection of these estimates and real EEC data at sector level. Based on the definition made in 2021 of sustainability criteria to classify when a collateral asset is considered sustainable, BBVA has applied differentiated pricing to loans with sustainability content, such as in the Efficient Home Mortgage, for homes with consumption letter A or B.

In the case of vehicle loans, as well as the type of fuel, mechanisms are being implemented to have information available associated with average emissions of each vehicle based on its make, model and version. As with mortgages, financing with sustainable products is encouraged when the sustainability criteria are met, in this case, for electric or plug-in hybrid cars.

Lastly, as mentioned in previous sections, the BBVA Group is committed to sustainable development, which is one of the defining elements of BBVA's business model. In this regard, the General Retail Credit Risk Policy establishes that one of the general principles governing retail credit risk management in the BBVA Group is respect for equality and diversity, avoiding unfair bias in access to financial products for reasons such as gender, color, ethnic origin, disability, religion, sexual orientation or political opinion.

Additionally, the General Risk Management Model Policy establishes that in order to avoid unfair bias in access to financial products based on gender, color, ethnic origin, disability, religion, sexual orientation or political opinion, none of these variables will be included in the admission and pricing models.

Classification and measurement of physical risk

Physical risk is associated with the location of assets and vulnerability based on their activity and can materialize in credit risk through different transmission channels, having an impact in multiple ways such as, for example, on the purchasing power of customers, business productivity, market demand or the value of assets. In 2022, BBVA learnt a great deal in this field and its level of maturity and knowledge of the different methodologies for the assessment of physical risk has advanced considerably. However, these advances represent a first approximation due to the complexity of carrying out an assessment of the exposure and impacts of physical risks.

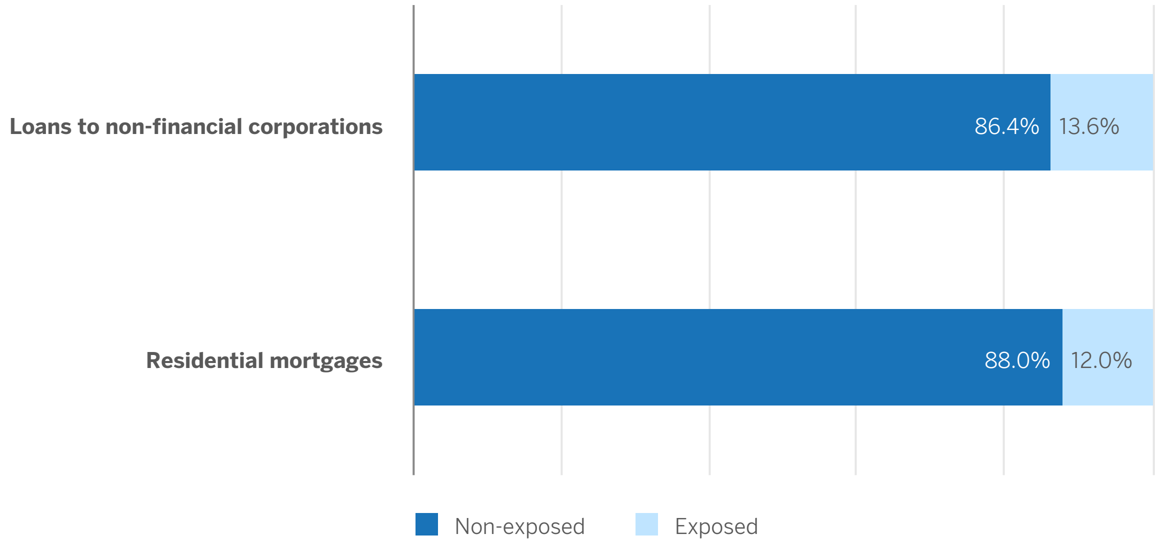
BBVA has continued to make progress in assessing the materiality of chronic and acute risks in the different portfolios. The analysis of physical risk is articulated around three pillars: threat, exposure and vulnerability.

Regarding the threat, the methodology of the Think Hazard tool of the World Bank has been followed. This tool indicates the risk levels of the different natural hazards, both acute (cyclone, heat waves, fire and river flooding) and chronic (drought and coastal flooding) at a global level and in different detail depending on the geographical area of the planet. These risk levels are calculated based on the frequency of occurrence and intensity of the different natural hazards. It is important to note that the information used is provided by a number of private, academic and public organizations. In addition, work has been done to increase the granularity of the risk levels offered by Think Hazard, using scientific and technical criteria, for the most relevant hazards in BBVA's geographical areas, specifically, tropical cyclones, coastal and river flooding, and forest fire.

For the vulnerability component, during 2022 the sectoral granularity of the analysis for Wholesale Banking and SMEs has been increased. This analysis is carried out based on 8 indicators that capture direct and indirect physical impacts, so that the sensitivity of each sector to climate hazards is indirectly assessed by analyzing its sensitivity to these vulnerability indicators. This methodology follows the best practices identified by the Taskforce on Climate-related Financial Disclosure (TCFD) and UNEP-FI. As a result, a qualitative classification of the (sub)sectors is generated according to the potential impact on their business model and activity of chronic or acute changes in the climate.

Threat and vulnerability scores are applied at the contract level based on the location to identify prone exposure to physical risk. As a result, the sectors identified as most vulnerable to physical risks have been power generation, basic materials, construction, consumption, and real estate.

EXPOSURE TO PHYSICAL RISK AS OF DECEMBER 31, 2022 (PERCENTAGE) [1]



[1] The breakdown includes the portfolios of Spain, Mexico, Turkey, Peru, Colombia and Argentina.

The advances achieved during 2022 have allowed a first approximation, based on international tools and methodologies, of the exposure prone to chronic and acute risks. The implementation of an action plan has also begun, the objective of which is to have the analytical capabilities and data necessary to integrate physical risks into risk policies and processes.

As of 2023, work will be done to have precise and standardized information on the locations of the guarantees and assets of our clients from all portfolios, to analyze the exposure of the wholesale and retail portfolios to the different chronic and acute hazards based on climate scenarios. and in calculating the financial impacts of perils at the customer and asset level.

Identification and measurement of other environmental risks

Following international reference frameworks such as the SASB Materiality Map and rating agencies, BBVA has identified the sub-sectors of activity it finances and the most relevant environmental and social factors of each one, including aspects such as pollution and waste, biodiversity and land use or water resource management. This exercise is included in the "Sector Guide for the integration of sustainability factors in credit analysis", which defines the most common metrics and reference thresholds in relation to environmental aspects and is used as a support tool in the admission process.

In the case of natural capital, BBVA has identified the levels of impact and dependencies by sector following the methodology of the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC. This tool provides information on how the activity of the sub-sectors that BBVA finances depends on nature and provides environmental information by sector.

NATURAL CAPITAL DEPENDENCY - HEAT MAPPING OF PORTFOLIOS

	Natural capital dependency	EAD (billions of euros)
Agribusiness	High	2.2
Paper & forest products	High	1.3
Integrated Oil & Gas	High	4
Water utilities	High	3.2
Other Food, beverage and tobacco	Medium	16
Mining	Medium	3.2
Marine transportation	Medium	0.4
Road and rail transportation	Medium	2.7
Transportation infrastructure operators	Medium	3.1
Textiles, apparel and luxury goods	Medium	2.9
Power generation	Medium	16.2
Air transportation	Medium	1.1
Steel & Processed Metals	Medium	4.7
Other	Low or very low	91.3
Total		**152.3**

High Medium Low or very low

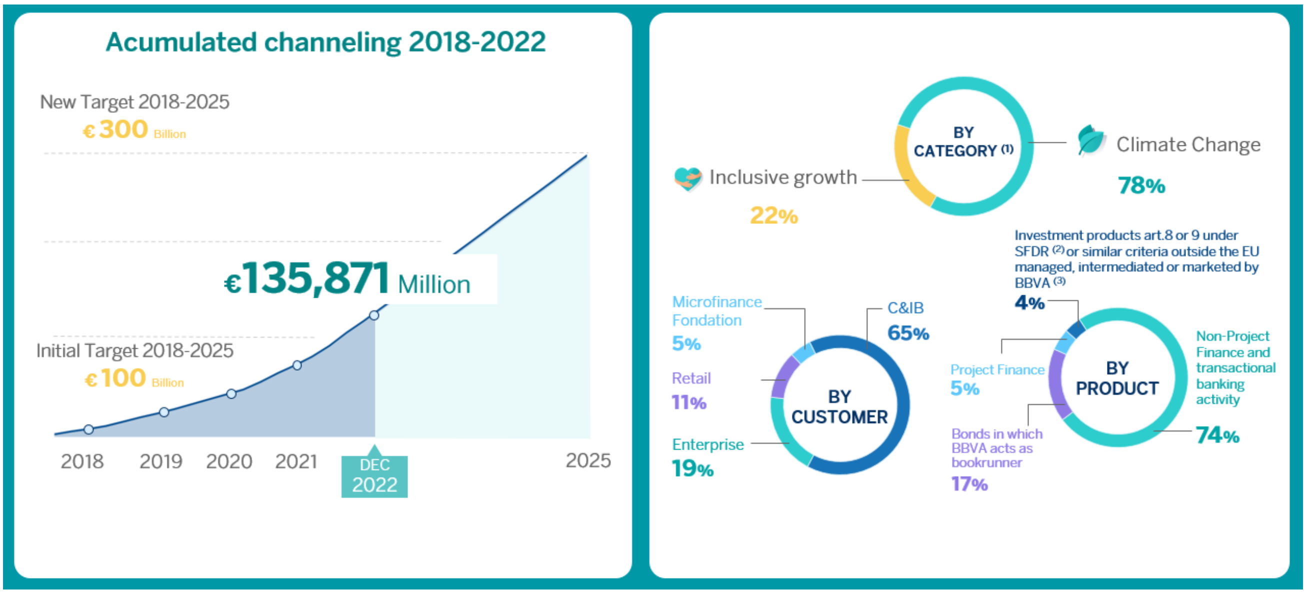
The activities with the most significant dependencies on natural capital are agoindustry, oil & gas, forestry and paper products, food, beverages and tobacco, and mining. While water, flood and storm protection and climate regulation are the most important ecosystem services on which our loan portfolio depends, confirming our current environmental priorities.

Given the importance to BBVA's loan portfolio and the dependence on water resources in the Power Generation sector, the Group has built a framework for conducting detailed water stress risk assessments at the customer level. This assessment was carried out using the locations of its customer's power generation plants, the Aqueduct Water Risk Atlas tool of the World Resources Institute (WRI), which identifies water risk at asset locations, and the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool developed by the Natural Capital Finance Alliance, which details water impacts and dependencies.

The results of the assessment are a water stress risk scorecard of the customer and of the assets. The results of this assessment lead to the conclusion that water is a key parameter when assessing the credit risk of customers, considering that their activity may be negatively affected by the physical effects of climate change in the coming years.

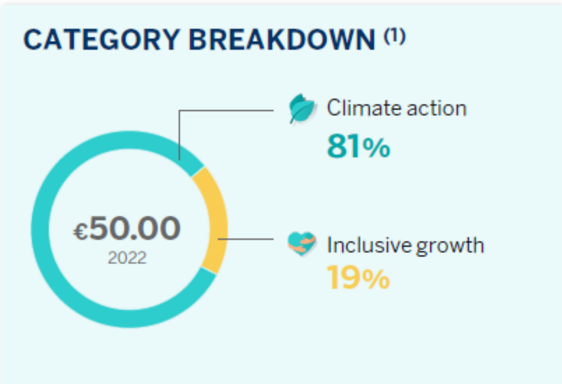
2.3.5 Metrics and goals: Channeling sustainable business

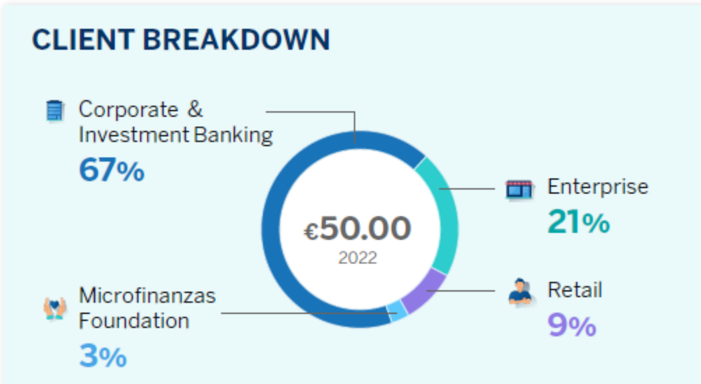
BBVA[34] has once again increased its 2025 Goal, tripling its initial target for channeling sustainable business by setting it at €300 billion for the period 2018 - 2025. Between 2018 and 2022, BBVA mobilized a total of €135,871 million in sustainable business, distributed as follows:

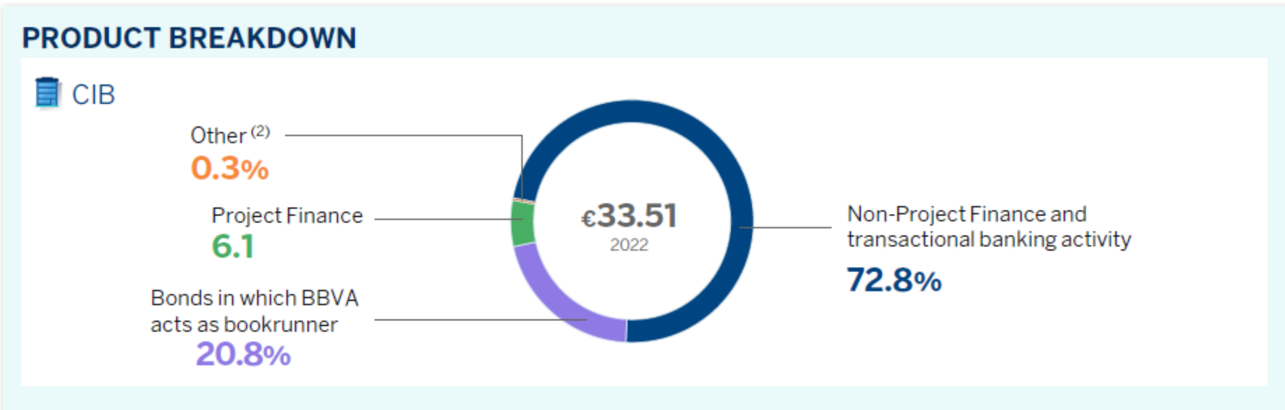


(1) In those cases where it is not feasible or there is not enough information available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the information available.
(2) Sustainable Finance Disclosure Regulation (SFDR).
(3) Includes, in CIB and Enterprise: structured deposits, mainly; and in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly.

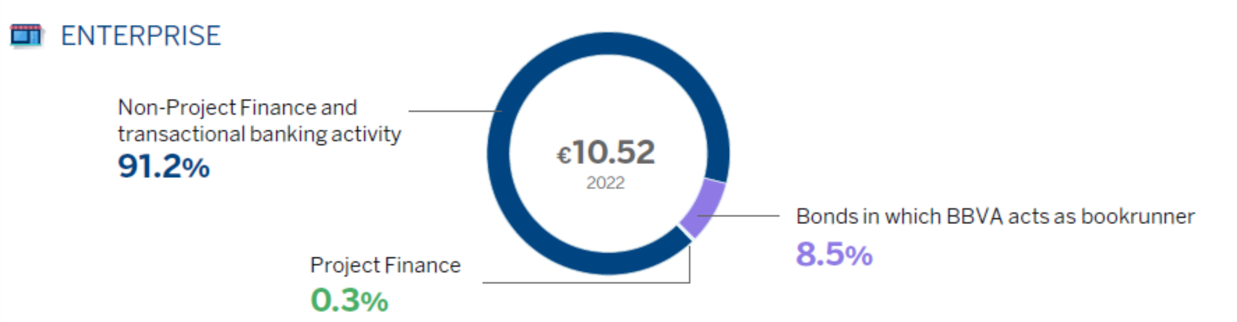
The sustainable business channeling data for the year 2022 is detailed below (in billions of euros):

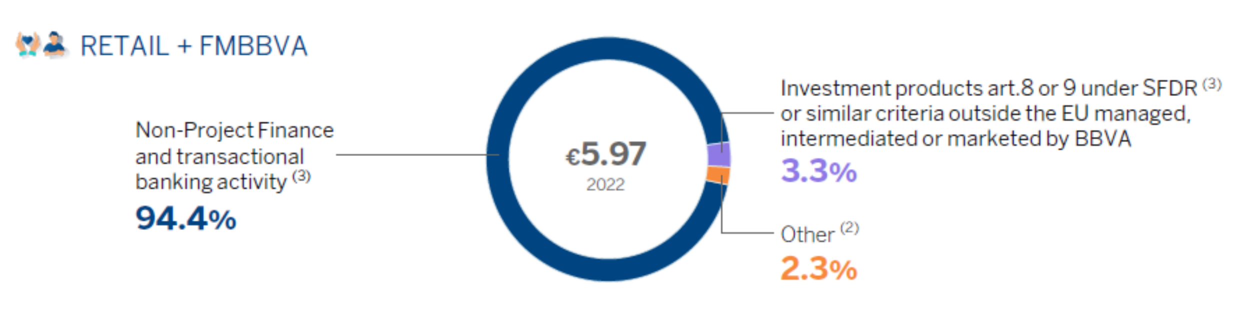






34 For the purposes of the Goal 2025, it is included the channeling of sustainable business of the entities that are part of BBVA Group as of 12/31/2022 as well as the BBVA Microfinance Foundation.





(1) In those cases where it is not feasible or there is not enough information available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the information available.
(2) Includes, in CIB and Enterprise: structured deposits, mainly; and in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly.
(3) Sustainable Finance Disclosure Regulation (SFDR).

For the purposes of the Goal 2025, channeling is considered to be any mobilization of funds, cumulatively, towards activities or clients considered to be sustainable in accordance, fundamentally, with existing regulations, internal standards inspired by existing regulations, market standards such as the Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association and best market practices. The foregoing is understood without prejudice to the fact that said mobilization, both at an initial stage or at a later time, may not be registered on the balance sheet. To determine the funds channeled to sustainable business, internal criteria is used based on both internal and external information, either from public sources, provided by customers or by a third party (mainly data providers and independent experts).[35].

The aforementioned sustainable business pipeline is a metric that may differ from other metrics of a regulatory nature. In particular, this metric differs from the amount of exposure to sustainable business disclosed under the technical standards of execution (ITS) on the information of Pillar 3 related to environmental, social and governance (ESG) risks[36], whose objective is the measurement of exposure to mitigation and adaptation actions[37] against climate change. The reasons for these differences come from the different calculation criteria used in both concepts, highlighting the following: (i) while channeling includes mobilization of financial flows that may not be recorded on the balance sheet (e.g. transactional banking activity, investment funds, investment or bonds in which BBVA acts as bookrunner, etc), the regulatory metric only includes exposures within the balance sheet assets; (ii) while the concept of channeling is cumulative (reflects accumulated balances since 2018), the regulatory metric only includes exposure for the year in question; (iii) while the channeling reflects the total mobilization of flows, the regulatory metric only includes outstanding balances on the balance sheet in the fiscal year in question; (iv) while the concept of channeling also includes the mobilization of flows that contribute to a purpose of a social nature such as inclusive growth and other environmental objectives, the regulatory metric only contemplates the contribution to a climate purpose.

Among the sustainable business mobilization solutions aimed at contributing to the fight against climate change and promoting inclusive growth, the following stand out:

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[35] BBVA does not assume any responsibility for the opinions expressed by third parties or for any errors or omissions in the information coming from external sources.
[36] Included in the Implementing Regulation (EU) 2022/2453 of the Commission of 30 November 2022, amending the implementing technical standards laid down in the Implementing Regulation (EU) 2021/637.
[37] According to the regulatory definition (FINREP) of exposure: outstanding risk of loans and advances, as well as bonds in the investment portfolio.

Sustainable solutions for wholesale (corporate and institutional) customers as well as businesses

In 2022, in the sphere of corporate financing related to sustainability, the Group mobilized globally a total of €14,055m in financed linked to the achievement of certain environmental and social indicators (KPI-linked) and linked to the customer's ESG rating (ESG-linked) among which are pioneering operations in the food sector.

BBVA continues to work to offer innovative solutions to its customers. For this reason, it has launched a new finance KPI-linked product that focuses on reducing our customers' water footprint (Water Footprint Loan). Transactions have already been formalized with two clients in Spain and Italy. In Spain, BBVA has assumed the role of sustainable coordinator in various landmark operations. Outside Spain, BBVA has participated in several landmark operations, including a few the main syndicated finance deals in Germany, the UK, Belgium, Mexico, Peru and Colombia. The Group continues to work on formats that try to promote positive behaviour from its customers in terms of sustainability, in line with the objectives of the Paris Agreement.

Furthermore, BBVA remained extremely active in the financing of sustainable projects throughout 2022, participating in the channeling of €2,098m (BBVA participation) of sustainable finance in the following main areas:

- €1,092m euros in projects related to climate change (renewable energy, energy efficiency, sustainable mobility, etc.),
- €848m euros in projects related to inclusive growth (health sector, telecommunications sector as facilitators of access to new technologies, etc.),
- €158m euros in sustainable infrastructure projects.

BBVA has also acted as bookrunner in issues of green (€3,241m), social (€419m) and sustainable bonds (€2,489m) and bonds linked to environmental indicators (€1,710m) for clients in the United States, Mexico, South America, Asia and Europe, including Spain. The issues have accounted for an estimated total volume handled by BBVA of €7,860m, where the activity of European customers in 2022 stood out. BBVA continues to support the development of the green bond market in Mexico, Colombia, Argentina and Asia, leading inaugural bond issues in these regions.

In the transactional banking area, BBVA has participated in transactions for an amount of €8,852m issued under its "CIB framework for sustainable products", available on the Bank's corporate website. It continues to innovate with new solutions for its customers that try to promote an improvement in aspects related to sustainability. For example, sustainability-linked reverse factoring ('confirming' in Spain) based on a service to evaluate and rank their suppliers based on sustainability criteria. This enables better discounted prices suppliers with a higher score in relation to these criteria, as well as being able to support customers in reducing their scope 3 emissions.

Sustainable solutions for retail customers

BBVA has developed data-based tools and solutions that help retail customers estimate CO_2 emissions that they can generate in their daily activities, with the aim of promoting more sustainable habits that try to contribute to the reduction of their emissions.

Since 2021, BBVA in Spain has used data analytics to calculate the carbon footprint of its private customers, obtaining an approximate estimate of CO_2 emissions into the atmosphere, based on gas and electricity bills and fuel expenses. During 2022, this analysis has been completed with new functionalities such as the list of CO_2 emissions by transaction and category, including the purchase of tickets for additional means of transport, such as planes, trains, taxis, transport vehicles with drivers or public transport. as well as information on possible sustainable solutions such as the installation of solar panels through the alliance with a large Spanish company in the energy sector. In Turkey there is also a tool for private customers to calculate their carbon footprint and in Mexico it was launched reusing global components to reduce time to market.

The Group is working to make various products available to retail customers, both investment and financing, that seek to encourage a positive behavior in terms of sustainability, adapting to the situation of the geographical areas in which the Group operates. Thus, the offer of sustainable solutions in the different countries seeks, among others, to support energy efficiency and the decarbonisation of the economy, with products such as financing lines for the acquisition of hybrid and electric vehicles, or with green mortgages for homes with high energy ratings or loans to improve the energy efficiency of homes. In 2021, BBVA in Spain already made sustainable formats available to its private customers for a large part of the products it markets. In 2022, specifically, €198.9m were channeled for the acquisition of hybrid and electric vehicles and €870m in green mortgages. Also, products have been incorporated in various geographical areas of its footprint that offer sustainable alternatives for financing electric cars and mortgages for housing with a high energy rating (in the latter case, except in some jurisdictions such as Argentina). Also, the first green financing for SMEs has been launched, especially in Colombia, where this segment is financed from solar panels to sustainable agro projects. Likewise, alliances have been developed to promote energy efficiency in homes, such as the alliance with a large company in the energy sector in Spain to finance solar panels and alliances with a retail chain in Mexico and household appliance chains in Argentina and Colombia for the financing of household appliances with an efficient label.

Likewise, the retail segment is promoting the line of inclusive growth, mobilizing resources for the necessary investment to build infrastructure and support inclusive economic development. Within this line you can find financing (via cards, loans, credits or mortgage financing) to individuals who meet the thresholds in terms of income and/or vulnerability criteria established for each country. The social mortgage stands out, which is one aimed at segments of the population with less purchasing power and in which the state subsidizes a part of the total amount of mortgage financing.

BBVA also has financing formulas for entrepreneurs, natural persons or legal entities, including micro-enterprises, that meet certain conditions, such as deadlines for starting economic activity or certain billing thresholds. Of relevance for this segment is the program for financing female entrepreneurs BBVA has in Turkey, so women who have small and medium-sized enterprises can access loans in preferential conditions subject to the terms established in the program.

In 2022, BBVA Group contributed to channeling sustainable business through solutions for retail customers in a total of €5,970m in the following geographical areas: €2,921m in Spain; €767m in Mexico; €564m in Turkey; €81m in Colombia; €121m in Peru; €50m in Argentina, €1,466m through the BBVA Microfinance Foundation.

Sustainable investment solutions

In 2022, BBVA Asset Management (BBVA AM), the Group's investment management unit that brings together all asset management activities worldwide, continued with its sustainability integration plan. The plan took specific form, among others, in the following developments:

- Incorporation of the ESG extra-financial criteria in the process of investment and risk control decision-making for vehicles and portfolios they manage, both in the investment process and voting policy. Once this model was developed for assets under management in Europe, during 2022 BBVA AM worked towards its incorporation into assets under management in Mexico.
- Commitment to sustainable investment best practices such as adherence to the Principles for Responsible Investment promoted by the United Nations and the Net Zero Asset Managers Commitment to reach 2050 with net zero emission portfolios. In 2022, regarding the latter commitment, BBVA AM announced some initial targets for decarbonization of portfolios, including 22% of total assets under management, with the following intermediate targets for 2030:
  - Reduction of 50% of emissions in the equity and corporate fixed-income portfolio, and
  - Improved CCPI (Climate Change Performance Index) for eurozone sovereign debt. The CCPI is an index that annually monitors climate protection performance by country.
- Exclusion policies. An exclusions rule was approved for the entire BBVA AM business that includes:
  - Exclusion of companies in breach of international standards and treaties related to good practices in labor rights, human rights and anti-corruption policies,
  - Exclusions of certain activities, such as controversial armament, coal, and oil and gas linked to tar sands and the Arctic, and
  - Additional sectoral exclusions for sustainable products.

This policy already applies to all assets under management in Europe and Mexico.

During 2022, BBVA AM continued to expand its offering of sustainable products, i.e. products that follow sustainability targets or metrics in their investment policy. BBVA AM now markets 9 new investment funds (8 in Spain, 1 in Mexico), bringing the total number of investment vehicles using sustainability targets and metrics to 33. Assets under management in sustainable solutions at the end of 2022 amounted to €7,020m euros (€5,598m in 2021), and net acquisition of new funds was 976 million euros (€1,559m in 2021).

In the retail banking segment, it is worth noting that 3,133 million euros correspond to funds that promote ESG characteristics, that 108 million euros correspond to funds with a sustainable investment objective and that 2,593 million euros correspond to pension plans that promote ESG characteristics.

The assets managed under the criteria described above at year-end 2022 and 2021 are shown below:

ASSETS UNDER MANAGEMENT (BBVA ASSET MANAGEMENT. MILLIONS OF EUROS)

	2022	2021
Total assets under management	**124,601**	**119,307**
Europe	74,599	80,981
Mexico	35,614	30,179
South America	7,384	4,252
Turkey	7,005	3,895
SRI strategy applied		
Exclusion [(1)]	110,213	119,307
Vote [(2)]	110,213	111,160
Integration [(3)]	110,213	80,981

[(1)] The exclusion strategy, with the exclusion policy approved in 2021, applies to assets managed in Europe and Mexico.

[(2)] The voting strategy is applied to 100% of the assets under management in Europe for those instruments, in BBVA AM portfolios, that generate voting rights and their issuers are in the European and US geographical areas and in the business of AM México for those issuers that generate voting rights and their issuers are in the Mexican geographic area.

[(3)] The integration strategy is applied in SRI pension plans and mutual funds of the Europe business and, since 2022, AM Mexico.

For more information on how the Group integrates ESG aspects in its customer relations, see the section "Integration of ESG aspects in customer relationship" in the chapter "Additional information" in this report.

2.3.6 Management of direct and indirect impacts

As a financial institution, BBVA has an impact on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly, and most importantly, through its lending activity and the projects it finances.

Management of direct environmental impacts

BBVA has a clear commitment to both society and the environment. The global strategy of the reduction of direct impacts is organized around four core elements: (I) reduction in consumption through the energy efficiency initiatives; (II) use of renewable energy; (III) awareness and involvement of employees and other stakeholders in the path toward a low-carbon economy; and (IV) compensation of its environmental footprint in scope 1, 2 and part of scope 3 (category 5 waste, category 6 emissions from business trips and category 7 displacements of employees of central services that represent 35.8% of the total number of employees object of the report)[38] through the purchase of project credits from the Voluntary Carbon Market to comply with the commitment acquired in 2021 to be a carbon-neutral company by 2050.

Group eco-efficiency plan 2021-2025

In its objective of reducing environmental impacts, BBVA, within the framework of the 2025 Goal, will recommend, on the one hand, a 68% reduction in Scope 1 and 2 CO2 emissions compared to 2015 and, on the other hand, a consumption of 70% of electricity from renewable sources in 2025, reaching 100% in 2030. In line with the latter objective, BBVA has been a member since 2018 of the RE100 initiative, through which the world's most influential companies commit to making their energy 100% renewable by 2050. For its part, on the other hand, BBVA continues to make progress towards reaching 100% by 2030.

In 2021, BBVA established a new Global Eco-efficiency Plan for the period 2021-2025, setting more ambitious targets, aligned with its climate strategy, focused on reducing direct impacts and achieving the 2025 Goal:

GOAL 2025 AND GLOBAL ECO-EFFICIENCY PLAN 2021-2025 (BBVA GROUP)

Vector	Indicators	Goal target[(1)]	GEP target[(2)]
Consumptions	Renewable electricity (%)	70 %	77 %
	Electricity consumption per employee (MWh/Employee)		(10)%
	Energy consumption per employee (MWh/Employee)		(7)%
	Water consumption per employee (m^3/Employee)		(11)%
	Paper consumption per employee (kg/Employee)		(11)%
Circular economy	Net waste per employee (t/Employee)		(4)%
Carbon footprint	Scope 1&2 carbon emissions (tCO_2e)	(68)%	(67)%
Sustainable building	Environmentally certified area (%)		45 %

(1) Base year 2015.

(2) Base year 2019. For the 2021-2025 Eco-efficiency Plan, 2019 is taken as the base, since the consumption values for 2020 are distorted due to the effect of the COVID-19 pandemic.

This plan is based on four lines of action:

1. Consumption

With the aim of reducing BBVA's environmental footprint[39], the following lines of actions will be implemented:

- Electricity consumption: BBVA's strategy is focused on the use of renewable energy as a key lever to contribute to the decarbonization of the energy markets where the Group is present. The strategy consists of reaching Power Purchase Agreements, such as those already in place in Mexico, Spain and Argentina, and acquiring renewable energy certificates, such as Guarantees of Origin in Spain and Portugal, or international renewable energy certifications (iRECs) in Mexico, Colombia, Peru and Turkey. There will also be a commitment to self-generation of renewable energy by the installation of solar photovoltaic and solar thermal panels in the Group's facilities, as is already happening in a number of subsidiaries in Turkey, Uruguay and Spain.
- Implementation of energy saving measures (ESMs) for the operation of buildings, to control and reduce consumption.
- Initiatives for the reduction of water consumption, such as gray water recycling systems and rainwater recirculation for irrigation in the headquarters of Spain and Mexico, and the installation of waterless urinals in some of the buildings in Spain.
- Finally, there are measures for the digitalization and centralization of printing to reduce the consumption of paper, which is also recycled or environmentally certified in most of the geographical areas (Argentina, Colombia, Spain, Mexico, Peru, Turkey and Portugal) by 79.2% in 2022.

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[38] Within the scope 3 emissions reported, the following categories defined in the GHG Protocol are not included: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy related activities (not included in scopes 1 or 2); Category 4 upstream transportation and distribution; Category 7 transportation of network workers (which account for 64.2% of the total reported); Category 8 upstream leased assets; Category 9 transportation and distribution; Category 10 processing of the products sold; Category 11 use of the products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. In relation to the information on Category 15 Investments, see the Calculation of financed emissions section of section 2.3.4 Management of risks associated with climate change and environmental factors. The scopes excluded to date could be material.

[39] Certain geographical areas are not included in the perimeter (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside of Spain) nor certain BBVA Group companies in Spain and Turkey, which represent 8.2% of all BBVA Group employees.

2. The circular economy

Waste generation is becoming a serious problem at global level, so part of BBVA's contribution to sustainable development must consist in transitioning linear consumption practices to circular consumption. BBVA has been working for many years to reduce this impact through sustainable construction standards and the implementation of ISO 14001-certified Environmental Management Systems. It has also implemented Aenor's Zero Waste certification in Ciudad BBVA, BBVA's headquarters in Spain. The goal is to minimize the amount of waste sent to landfills. The Bank’s facilities have clearly differentiated and marked areas that enable to carry out a proper sorting and subsequent recycling of waste.

WASTE (CIRCULAR ECONOMY)

	2022	**2021**
Hazardous waste (tons)	440	120
Recycled hazardous waste (tons)	293	58
Disposed hazardous waste (tons)	147	62
Non-hazardous waste (tons)	4,129	4,251
Recycled non-hazardous waste (tons)	1,410	2,207
Disposed non-hazardous waste (tons)	2,719	2,044

The increase in hazardous waste generation in 2022 is due to the replacement of facility components at the end of their useful life. This equipment replacement is necessary to ensure the continuity of the facilities. Throughout 2022 initiatives to reduce disposable single-use plastics have been established, so the value is not reported as it is negligible.

3. Carbon footprint

The reduction of the carbon footprint is one of the goals established within the Goal 2025. BBVA's total emissions are composed of:

- Scope 1 greenhouse gas emissions, comprising direct emissions from own-use property combustion facilities, vehicle fleet fuels and refrigerant gases.
- Scope 2 greenhouse gas emissions, including indirect emissions related to the production of electricity purchased for and consumed by buildings and branches.
- Scope 3 greenhouse gas emissions, which include other indirect emissions. At BBVA, this scope includes emissions from business travel (by air and rail), emissions from waste management and emissions from the employees' travel from headquarters to other sites (representing 35.8% of the total number of employees covered by the report).

Both Scope 1 and 2 emissions and Scope 3 emissions are calculated taking into account the GHG Protocol standard established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

BBVA is a neutral company in terms of CO_2 emissions related to the aforementioned categories and offsets its carbon emissions through the purchase of credits in the Voluntary Carbon Market. Moreover, in line with the recommendations of the Taskforce on Scaling Voluntary Carbon Markets, BBVA has established requirements for the selection of projects with which to offset its residual emissions. Among these requirements are the obligation for projects to be certified under the maximum quality standards such as the Verra Verified Carbon Standard (VCS) and the Gold Standard, American Carbon Registry (ARC), Climate Action Reserve (CAR) and Plan Vivo; and that preferably are CO_2 absorption or capture projects. The projects selected in 2022 have been 4 reforestation/afforestation projects (Carbioin, Scolette, Cumare, Guarané) and 2 wind farms (Manantiales Wind Farm and Rotor Elektrik).

4. Sustainable construction

Another of the objectives is to guarantee the implementation of the best environmental and energy standards in BBVA buildings to achieve a large percentage of environmentally certified surface area. In fact, the BBVA facilities hold a number of construction and management certifications.

Among the construction certifications, there are 16 buildings and 10 Group branches with the prestigious LEED (Leadership in Energy and Environmental Design) certificate for sustainable construction. These buildings include the Group's headquarters in Spain, Mexico, Argentina and Turkey. Three of them have also received the highest certification, LEED Platinum. We also hold 7 WWF Green Office labels in Turkey and 20 Edge badges in Peru. These certifications promote the reduction of our environmental footprint and carbon emissions.

With respect to management certifications, BBVA has implemented an Environmental Management System in many of its buildings, based on the ISO 14.001:2015 standard, which is certified every year by an independent entity. This certification is used to control and evaluate environmental performance in the operations of some of its buildings. This system is implemented in 86 buildings and 1,022 branches in the main countries where the Group operates. In 2022, BBVA Mexico expanded its area certified under this management system to four new buildings (42,260 sq m). Finally, three of the buildings in Spain, the BBVA Argentina headquarters and ten branches in that country also have an Energy Management System certified by an independent third party that meets the ISO 50.001:2018 standard.

EVOLUTION OF THE GLOBAL ECO-EFFICIENCY PLAN INDICATORS (BBVA GROUP) (1)

	Values 2022	Achievement 2022 (Δ 22-19)(2)	Objective PGE 22-19	Objective PGE 25-19
Renewable electricity (%)	92%	92 %	74 %	77 %
Electricity consumption per employee (MWh/Employee) (3)	5.74	(14)%	(6)%	(10.0)%
Energy consumption per employee (MWh/Employee) (4)	6.30	(16)%	(5)%	(7)%
Water consumption per employee (m^3/Employee)	16.58	(12)%	(2)%	(11)%
Paper consumption per employee (kg/Employee)	34.05	(31)%	(9)%	(11)%
Net waste per employee (t/Employee) (5)	0.03	(8)%	(2)%	(4)%
Scope 1&2 carbon emissions (tCO_2e) (6)	52,966.20	(79)%	(62)%	(67)%
Environmentally certified area (%) (7)	44%	44 %	41 %	45 %

(1) Data for the last months of 2022 have been estimated due to the non-receipt of media.

(2) Achievement in the year 2022 with respect to the base year 2019. The achievement of the renewable electricity and environmentally certified area indicators is the % resulting in 2022.

(3) Includes the sum of renewable and non-renewable electricity (per employee).

(4) Includes the consumption of electricity and fossil fuels (natural gas, Liquified Petroleum Gas -LPG-, diesel, coal).

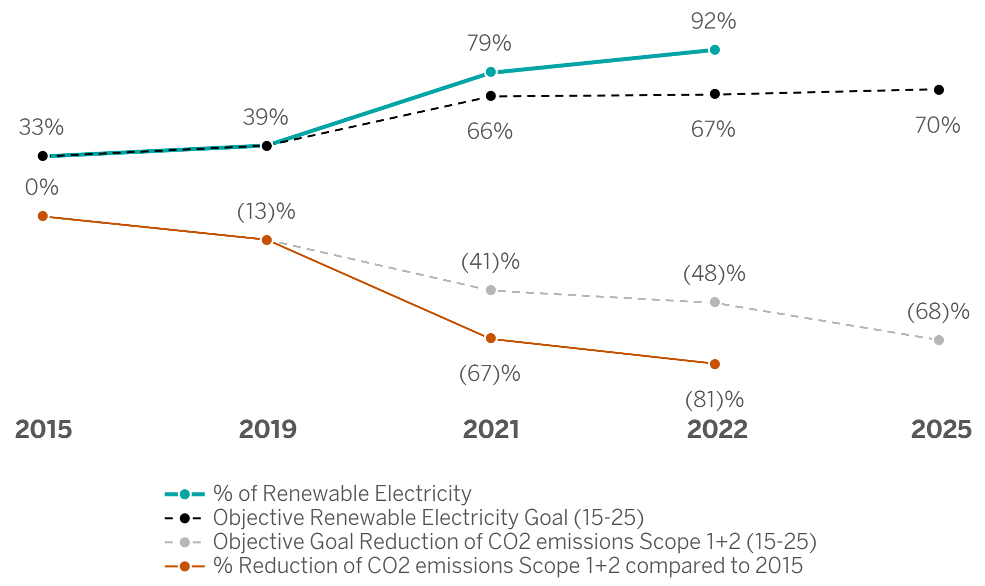
(5) Net waste is the total waste generated minus the waste that is recycled. To obtain the 2022 achievement, the reference data for 2019 of net waste has been restated, including the estimate of recycled waste, since its measurement was not incorporated until 2020.

(6) Includes scope 1 (fuels in installations and vehicle fleet and refrigerant gases), scope 2 market-based. The reference data for 2015 and 2019 of Scope 1 emissions has been restated, including the estimation of Refrigerant Gas emissions and Fleet fuels as its measurement was incorporated in 2021.

(7) Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office certifications.

The Group's environmental footprint shows positive data with respect to the base year 2019, exceeding in all areas the objectives defined for this moment, with reductions of (79)% in Scope 1 and 2 emissions (according to the market-based method), (14)% in electricity consumption, (16)% in energy consumption, (12)% in water consumption, (31)% in paper and (8)% in net waste (all data points are per employee). The percentage of renewable electricity consumption has reached 92%, and the environmentally certified area was 44%.

Goal 2015-2025[40]



40 In order to establish the objectives of achieving the Goal 2015-2025, the consumption data for 2015 are taken as a reference. The reference data for 2015 and 2019 of Scope 1 emissions has been restated, including the estimation of Refrigerant Gas emissions and Fleet fuels as its measurement was incorporated in 2021.

BBVA's environmental performance data obtained in 2022 and the progress achieved with respect to 2021 are shown in the following table:

ENVIRONMENTAL FOOTPRINT (BBVA GROUP)[1]			
	2022	**2021 [8]**	**Δ 22-21**
Consumption			
Total water consumption (cubic meters)	1,809,571	1,934,769	(6.5) %
Public water supply (cubic meters)	*1,727,582*	*1,882,391*	*(8.2) %*
Recycled water (cubic meters)	*81,989*	*52,377*	*57 %*
Paper (tons)	3,718	3,640	2 %
Total Energy (Megawatt hour) [2]	688,158	707,920	(2.8) %
Energy from renewable sources (%)	*83.9 %*	*71.3 %*	*18 %*
Energy from non renewable sources (%)	*16.1 %*	*28.7 %*	*(44) %*
Carbon footprint			
Scope 1 emissions (tons CO_2e)[3]	41,395	51,038	(19) %
Emissions from fuels in facilities (t CO_2e)	*11,783*	*14,799*	*(20) %*
Emissions from vehicle fleet fuels (t CO_2e)	*10,163*	*8,546*	*19 %*
Emissions from refrigerant gases (t CO_2e)	*19,450*	*27,693*	*(30) %*
Scope 2 emissions (tons CO_2e) market-based method [4]	11,571	42,152	(73) %
Scope 2 emissions (tons CO_2e) location-based method [5]	199,183	204,977	(3) %
Scope 1&2 emissions (tons CO_2e) market-based method	**52,967**	**93,190**	**(43)%**
Scope 1&2 emissions (tons CO_2e) location-based method	**240,578**	**256,016**	**(6)%**
Scope 3 emissions (t CO_2e) [6]	37,026	4,254	770 %
Emissions from waste management (t CO_2e)	*1,367*	*1,116*	*22 %*
Recycled hazardous waste (%)	*66.0 %*	*48.0 %*	*18.0 %*
Recycled non-hazardous waste (%)	*34.0 %*	*52.0 %*	*(18.0) %*
Donated IT equipment (units)	*1,154*	*1,225*	*(6) %*
Emissions from business travel (t CO_2e)	*14,568*	*3,138*	*364 %*
Emissions from employees commuting (t CO_2e)	*21,091*	*5,325*	*296 %*
Total CO_2e emissions (t CO_2e) market-based method	**89,992**	**97,444**	**(8)%**
Total CO_2e emissions (t CO_2e) location-based method	**277,604**	**260,269**	**7 %**
Impact of emissions (Scope 1&2) (€) [7]	*2,434,718*	*4,096,258*	*n/a*

n.a.: not available

[1] The data reflected here includes the countries Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey and Uruguay. Certain geographical areas are not included in the perimeter (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) or certain BBVA Group companies in Spain and Turkey, which represent 8.2% of the total employees of the BBVA Group. Some of the data for 2022 is estimated since at the end of the report the complete information for the year was not yet available.

[2] Includes the consumption of electricity and fossil fuels (diesel, natural gas and LP gas), except fuels consumed in fleets.

[3] Emissions derived from direct energy consumption (fossil fuels) and calculated based on the emission factors of 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For its conversion to CO_2e, the IPCC Fifth Assessment Report and the IEA have been used as sources. As of 2021, the emissions derived from the use of the vehicle fleet and from refrigerant gas leaks in our facilities were included in this scope, applying the DEFRA emission factors to calculate CO_2e emissions in all geographical areas, including Turkey.

[4] Emissions derived from electricity consumption and calculated based on the contractual data and, failing that, the latest emission factors available from the IEA for each country.

[5] Emissions derived from electricity consumption and calculated based on the energy mix of each geographical area. The emission factors are the latest available according to IEA for each country.

[6] Indirect emissions derived from business trips (plane and train), waste management and employee travel, using the emission factors published by DEFRA in 2022. Substantial increase in 2022 compared to 2021 due to the elimination of travel restrictions of business after the pandemic and the return of employees to the workplace in a hybrid model. For the commuting emissions of our employees, only Commuting commutes by Central Services employees have been taken into account, incorporating in 2022 the data from Turkey (2,320 tons CO_2e), which in 2021 were not included for this category.

[7] The impact of greenhouse gas emissions for 2022 is calculated using only Scope 1 and 2 emissions and using the CO_2 social cost factor based on a proportional estimate of the 2020 EPA social cost of carbon ($51/t$CO_2$) and for 2025 ($56/tCO_2), (3% discount rate, with an exchange rate of €1,153/$).

[8] The data for 2021 differs from that published in the previous Non-Financial Information Report because the estimates included at the end of the 2021 financial year have been replaced by the actual consumption available after the publication of said report and certain values have been modified according to to the corrected data.

Given the business activities in which the BBVA Group engages, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that are significant in relation to its equity, financial position and earnings. As such, as of December 31, 2022, the accompanying consolidated Annual Accounts do not include any item that warrants inclusion in the environmental information document provided for in Order JUS/616/2022, of June 30, approving a new template for filing the Consolidated Annual Accounts at the Companies Register for those entities obligated to disclose such information.

Management of indirect environmental and social impacts

BBVA addresses environmental, natural capital and social risks from the perspective of impact prevention and mitigation. To do this, it uses tools such as its Environmental and Social Framework or the Equator Principles, which have an environmental and social focus.

Environmental and social framework

In 2020, the Environmental and Social Framework for the mining, agribusiness, energy, infrastructure and defense sectors (hereinafter the Framework) was approved.

The Framework, which is reviewed annually, provides a series of rules and exclusions in relation to transactions and clients operating in these five sectors, as they are considered to have a greater social and environmental impact. The Framework is public and available on the BBVA shareholders and investors website.

To carry out its effective implementation, BBVA receives advice from an independent external expert who performs due diligence on the clients covered by the Framework in order to mitigate the risks associated with these sectors.

For the annual Framework review, new market trends, the expectations of stakeholders and the strengthening of the implementation procedures are considered.

In the last review, dated October 2022, the main new features were as follows:

- Elimination of exceptions to coal bans for countries with high energy dependence and no viable alternatives.
- New restriction in the energy sector, with a prohibition to finance "new projects or expansion of existing oil and gas exploration, drilling and extraction projects (conventional and non-conventional)."
- New restriction in the agribusiness sector, with the prohibition to finance "projects in key biodiversity areas of the International Union for Conservation of Nature (IUCN), the Brazilian Amazon and the Cerrado."
- Inclusion of new biodiversity and anti-deforestation best practices for clients, such as benchmark standards.

Equator Principles

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA, evaluates the financing of projects to reduce and avoid negative impacts and, in this way, enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of principle-aligned returns. This implies meeting stakeholder expectations, considering the social demand for the fight against climate change and respect for human rights.

Since 2004 BBVA has adhered to the Equator Principles (EP), which include a range of standards for managing environmental and social risk in project finance, which were developed on the basis of the International Finance Corporation’s (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank’s General Guidelines on Environment, Health and Safety.

The EPs apply globally to all industrial sectors and to five financial products under the terms set forth in the principles: (I) project finance advisory; (II) project finance; (III) project-related corporate loans; (IV) project-related bridge loans; and (V) project-related refinancing and project-related acquisition.

Project assessment consists of subjecting each transaction to an environmental and social due diligence process, including potential human rights impacts. The first step is the allocation of a category (A, B or C), which reflects the project’s level of risk.

- Category A: projects with potentially significant adverse social or environmental impacts that are irreversible or unprecedented.
- Category B: projects with potentially limited adverse social and environmental impacts that are few in number, site-specific, reversible and readily addressed through mitigation measures.
- Category C: projects with minimal or no social or environmental impacts.

Reviewing the documentation provided by the customer and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category. Finance agreements include the client’s environmental and social obligations. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of transactions.

BBVA has due diligence procedures associated with the financing of projects whose execution affects indigenous peoples. When this circumstance occurs, the prior free and informed consent is required from these communities, irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is presupposed, which ensures the protection of the environment and the social rights of its inhabitants. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

The data of the financed transactions that were analyzed under the EP criteria during 2022 and 2021 are shown below:

DATA OF FINANCED TRANSACTIONS ANALYZED ACCORDING TO THE EQUATOR PRINCIPLES CRITERIA

Category A			Category B			Category C		
	2022	2021		2022	2021		2022	2021
Number of transactions	4	2	Number of transactions	12	23	Number of transactions	9	17
Total amount (millions of euros)	15,776.0	2,227.6	Total amount (millions of euros)	14,280.8	10,954.5	Total amount (millions of euros)	15,937.7	5,466.1
Amount financed by BBVA (millions of euros)	604.1	109.4	Amount financed by BBVA (millions of euros)	1,219.0	1,714.1	Amount financed by BBVA (millions of euros)	993.7	756.3

Note: In 2021, the number of financed operations analysed reached 42, including 20 analysed under the scope of the Equator Principles, and the remaining 22 were voluntarily analysed by BBVA under the same criteria. In 2022, only operations under the scope of application of the Equator Principles are analysed.

Out of a total of 40 transactions considered, in 2022, (100% of the operations under the scope of the Equator Principles), 25 transactions were signed, and 15 transactions were rejected for reasons related to business and risk (credit risk and environmental and social risk) of the operations.

Of the transactions signed in 2022, 40% corresponded to the infrastructure sector and 24% to the electric sector. By geographical area, 52% were located in Europe, Middle East and Africa (EMEA) and 44% in the Americas.

Integration of natural capital

The General Sustainability Policy posits the protection of natural capital as one of its main focuses of action. Specifically, BBVA recognizes the need to protect ecosystem services and natural assets, native species and natural ecological processes. It considers biodiversity and natural capital in its relationship with its clients.

The Environmental and Social Framework includes a range of general bans and prohibited activities related to biodiversity loss and the fight against deforestation:

- Projects that threaten UNESCO World Heritage sites, Ramsar-listed wetlands, Alliance for Zero Extinction sites and International Union for Conservation of Nature category I-IV sites.
- Projects involving resettlement or infringement of the rights of indigenous or vulnerable groups without their free, prior and informed consent.
- Projects related to deforestation:: burning of natural ecosystems for the purpose of clearing land for the implementation of agricultural or livestock projects, elimination of high conservation value and high carbon forests, palm oil farms not certified or not in the process of certification by the Roundtable for Sustainable Palm Oil (RSPO), palm oil farms in swamps and peat-rich areas, and from 2022, projects in IUCN key biodiversity areas of the Brazilian Amazon and Cerrado.

If BBVA concludes that any of the circumstances described in the prohibited activities or general bans apply to a project, it will decline to participate in that project.

In 2022, BBVA has identified the levels of environmental impact and dependencies for sectors following the methodology of the ENCORE tool, which enables us to know how each of the financed sectors has an adverse impact on natural resources. The tool was developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC. BBVA conducted an analysis using UNEP-FI's Impact Tool which assesses the impacts related to natural capital in most of the countries in which BBVA is present..

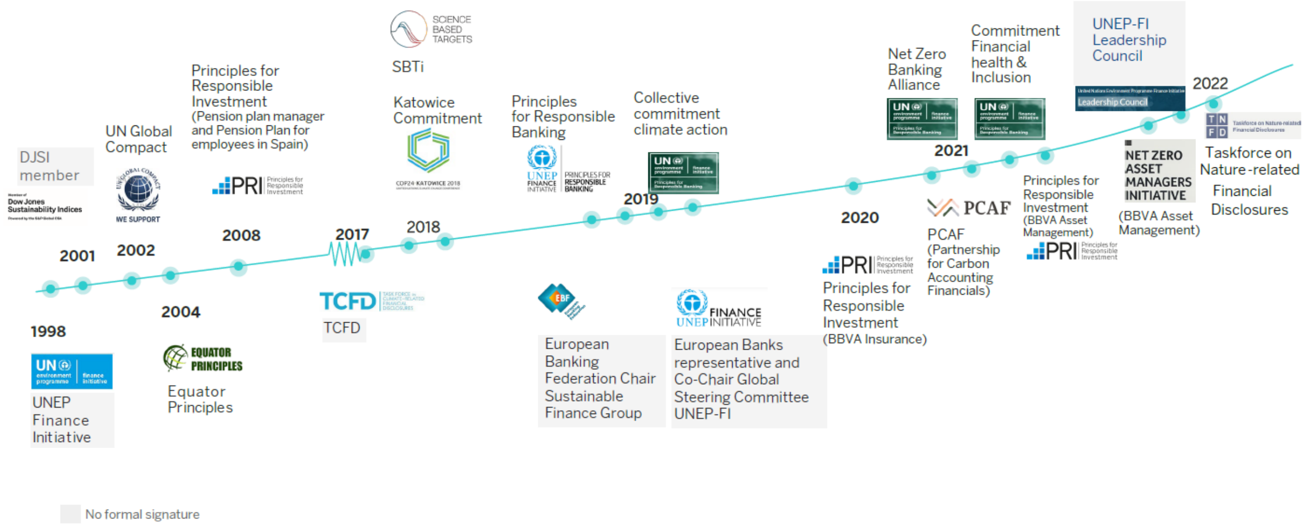
As a member of the TNFD Forum (Task Force on Nature-Related Financial Disclosures), BBVA is following the publication of the different versions of the framework for the management and disclosure of nature-related risks and opportunities and the guidelines published for market participants to begin pilot testing for reporting under the TNFD framework which is scheduled to be published in 2023.

As solutions, BBVA has developed a range of financial products aimed at generating positive impacts on the assets that make up natural capital. In 2022, BBVA entered into the world's first syndicated credit facility linked to indicators related to the reduction of the water footprint (Water Footprint Loan), for an amount of €2,500m, alongside a syndicate of 24 financial institutions led by BBVA (key indicators: water consumption in power generation and CDP Water Score). Also in 2022, BBVA and an Italian company signed the first Water Footprint Finance in that country for 50 million euros (KPIs: water withdrawal and water leakage). In addition, BBVA has financed companies through sustainability-linked loans that include water-related KPIs in some key sectors with a high dependence on this natural resource. In 2020, BBVA Mexico signed the first loan linked to KPIs with a cement company in Latin America and in 2021, with a data center, applications and services company.

BBVA has developed internal standards to promote the financing of sustainable fishing activities with the MSC and ASC label (sustainable blue finance) and also supports reforestation projects in the field of compensation for its environmental footprint.

BBVA Research maintains a line of work on environmental sustainability which incudes biodiversity, with the aim of generating and raising awareness internally and for society as a whole of its importance and, in particular, its potential economic impacts.Outreach work has been done since 2017 on sustainability on the website www.bbva.com in the 'Planet' category titled 'Biodiversity Conservation'. Specifically, 46 publications were created, including articles and videos, which in 2022 attracted more than 655 thousand unique users (14% more than in 2021).

2.3.7 Participation in international initiatives



For over 20 years, BBVA has participated actively in various supranational initiatives in close collaboration with all the stakeholders (such as the industry itself, regulators and supervisors, investors and civil society organizations). For yet another year, BBVA reiterates its support for the United Nations Global Compact.

Specifically, over the course of 2022, the Bank engaged in the following initiatives:

- Since January, BBVA has been a member of the Massachusetts Institute of Technology's (MIT Climate and Sustainability Consortium or MCSC) to accelerate the implementation of large-scale solutions to fight climate change.
- Since April, BBVA has co-chaired the Climate Finance Leadership Initiative in Colombia (CFLI). This is an initiative of the Glasgow Financial Alliance for Net Zero to speed up the global transition to net zero greenhouse gas emissions.
- In May, BBVA joined the Edison Alliance, with the commitment of the BBVA Microfinance Foundation to support the digital inclusion of vulnerable populations in Latin America.
- In July, BBVA became a founding member of Carbonplace, the global platform through which customers around the world will be offered access to voluntary carbon credits to offset their emissions.
- Since September, BBVA has been a member of the European High Level Expert Group (HLEG) that provides recommendations to the European Commission to boost sustainable finance in emerging countries. BBVA is the only private-sector bank in this group. In mid-2023, the group will present its recommendations on transformative, innovative actions to mobilize private-sector finance.
- As part of the Alliance of CEO Climate Leaders promoted by the World Economic Forum (WEF), the Chair of BBVA, together with other CEOs and leaders of major global companies, signed a statement in November calling on world leaders and participants in the United Nations Climate Change Conference at Sharm El Sheikh (COP 27) to commit to a just transition.

Universal reference frameworks

BBVA became in 2022 the first Spanish bank to join the global initiative promoted by the Task Force on Nature-related Financial Disclosures (TNFD). TNFD's mission is to develop a framework for companies around the world to report and act on their evolving impacts, dependencies, risks and opportunities related to nature. The ultimate goal is to support a shift in global financial flows.

BBVA was one of the 28 founding banks of the Principles for Responsible Banking promoted by the United Nations alliance with the financial sector (hereinafter, UNEP-FI). This is the reference framework based on six principles that seek to respond to the growing demand from different interest groups for a comprehensive framework that covers all dimensions of sustainable banking. BBVA believes that these six principles will help to reaffirm its Purpose, enhance its contribution to both the United Nations SDGs and the objectives derived from the Paris Climate Agreements, and align its business strategy with them.

In 2020, 2021 and 2022, BBVA has reported to UNEP-FI on its progress regarding each of the six principles. For more information on the progress and developments reported, see the chapter named "UNEP-FI Principles for Responsible Banking Reporting Index" in this report.

Within the framework of these principles, in 2021 BBVA was one of the founding banks of the Collective Commitment to Financial Health and Inclusion promoted by UNEP-FI with the aim of promoting universal financial inclusion and a banking sector which supports the financial health of all its customers.

BBVA was a founding member of the UN Net-Zero Banking Alliance (NZBA). The banks of this international alliance commit to making their credit and investment portfolios net neutral in greenhouse gas emissions by 2050 as deadline, in line with science and the most ambitious goals of the Paris Agreement

Likewise, BBVA Asset Management is a member of Net Zero Asset Managers, a initiative launched by a group of international asset managers to support the goal of reducing net greenhouse gas emissions to zero by 2050 or earlier.

Transparency

In September 2017, BBVA committed to the FSB's TCFD recommendations and has been reporting TCFD reports in line with its highest commitment to transparency. In its TCFD 2022 report, BBVA plans to incorporate for the first time elements of a Transition Plan, following the guidelines and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.

Likewise, for yet another year, BBVA publishes information in accordance with the following most advanced market standards: (i) WEF-IBC core and expanded metrics of the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the WEF, and (ii) Sustainability Accounting Standards Board (SASB) - Commercial Banks, Mortgage Finance and Consumer Finance standards. For more information, see chapter "5.2.5 Alignment of the BBVA Group's non-financial information with the WEF-IBC and SASB standards" of this report.

2.3.8 Sustainability indices and ratings

BBVA participates annually in the main sustainability analyses conducted by rating agencies in this area. Based on the evaluations obtained through these analyses, companies are chosen to be part of the sustainability indices.

86 points / 100 Member of DJSI World and DJSI Europe 1st Bank in Europe and among its peers	AAA rating Member of the MSCI ESG Leaders Indexes (1)	ESG Rating 4.6 / 5 Member of the FTSE4 Good Index Series

ESG Score 57 / 100 (robust)	ESG Risk Rating 22,5 (medium risk) (December, 2022) (2)	82.42 puntos /100 Member of Bloomberg Gender-Equality Index	Score B

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In addition, since 2020 the Bank is part of the Nasdaq Sustainable Bond Network (NSBN), platform which brings together the world's various issuers of sustainable debt and provides a clear reference framework for socially responsible investment.

2.4 Additional information

2.4.1 Additional information on materiality analysis

Phases of the materiality analysis and identification of relevant aspects

The analysis performed has been carried out in the financial year 2022 in three phases:

- Phase 1 - Identification of material issues that are relevant to stakeholders and to BBVA.
- Phase 2 - Identification of the potential positive and negative impacts, as well as the risks and opportunities for the identified material issues.
- Phase 3 - Assignment of weights and weighting of material issues.

Phase 1 - Identification of relevant material issues for stakeholders and BBVA

To identify material issues, the following sources have been used:

Internal sources:

- List of material issues of BBVA from previous analyses.
- Due diligence on Human Rights carried out by BBVA in 2021.
- Portfolio Impact Analysis Tool for Banks – UNEP-FI.
- Consultations to stakeholders:
  - Customers, with a total of 1,192 surveys conducted in six countries (Argentina, Colombia, Spain, Mexico, Peru and Turkey) and non-customers, with a total of 1,140 surveys conducted in six countries (Argentina, Colombia, Spain, Mexico, Peru and Turkey);
  - Shareholders and investors: includes the issues for which they show interest from a risk perspective and a trend based on the degree of relevance and growing interest;
  - Employees, with a total of 9,243 surveys carried out in eight countries (Argentina, Colombia, Spain, Mexico, Peru, Turkey, Uruguay and Venezuela).
- Reports published by BBVA (such as the Annual Report 2021 of BBVA Group and the Climate Report (TCFD).
- Mentions in the media, with more than 155 media outlets and 17,792 news items analyzed as well as mentions in social networks.

External sources:

As external sources, sustainability reporting frameworks have been taken into account (such as: SASB, GRI, World Economic Forum Stakeholder Capitalism Metrics), leading ESG analysts and regulation (Law 11/2018 and European Taxonomy Regulation) as well as other sources (UNEP-FI, analysts, indices and reference studies), as well as context reports and trends in the financial sector and reports from internationally relevant NGOs.

Phase 2 - Identification of impacts (positive and negative) as well as risks and opportunities

For each of these material issues, both the potential positive and negative impacts caused directly by BBVA or by its value chain in the environment have been identified, as well as the risks and opportunities that may cause financial effects generating an impact on cash flows and, therefore, in the value of BBVA in the short, medium and long term.

These aspects have been developed as a result of the review and internal contrast with expert areas as well as with the different geographical areas.

The potential positive and negative impacts as well as the risks and opportunities are:

ENVIRONMENTAL

Issue	Description	Impact materiality [1]		Financial materiality	
		Positive impacts	Negative impacts	Risks	Opportunities
1.Climate change	Measures implemented to: – Adapt to the consequences of climate change: establishment of policies, identification and management of climate risks and opportunities, definition of portfolio decarbonization goals aligned with the objectives of the Paris Agreement, inclusion of sustainability criteria and specifically climate change within the credit analysis of operations with customers. – Development of products that guarantee a responsible use of resources (energy, water, materials, etc.), and the promotion of products and services with environmental content, aligned with the proper management of waste in accordance with the EU Taxonomy, which contribute to the circular economy and avoiding pollution. – Improve efficiency in the use of resources, raw materials (paper), water and energy, and waste generation in our own operations, in order to reduce the internal environmental and carbon footprint. It includes the measures taken to promote the development and promotion of the circular economy and the prevention and management of waste.	– Reducing GHG emissions levels and contributing to meeting the targets set in the Paris Agreement through financing and supporting the transition of customers/sectors to a lower carbon economy. – Reducing GHG emission levels and contributing to meeting the goals set in the Paris Agreement by directing and leveraging financing toward more sustainable sectors and activities. – Reducing pollution levels by directing and leveraging financing toward more sustainable sectors and activities. – Reduction in the generation of waste produced by the entity's own operations through management and circular economy measures. – Reduction in the consumption of resources, mainly water, energy and paper, of the entity's own operations through management and efficiency measures.	– Financing of customers without transition strategies toward a lower carbon economy and lack of support in this transition, leading to non-compliance with the decarbonization targets set by the Paris Agreement. – GHG emissions from the portfolio in general, and by financing customers/sectors/operations with high GHG emissions that contribute negatively to climate change. – Negative environmental impacts of the portfolio due to pollution in general: and for the financing of highly polluting customers/sectors/operations. – Negative environmental impacts derived from the waste produced by the entity's own operations. – Negative environmental impacts derived from the resources consumed, mainly water, energy and paper, in the entity's own operations.	– Litigation and sanctions related to climate change breaches. – Lack of adaptation or slow adaptation of financial products to the effects of climate change. – Lack of portfolio adaptation (especially high-risk sectors) to climate transition (transition risk). – Exposure of the portfolio to acute and chronic physical risk events (storms, floods, heat waves, etc.). – Amortization and early removal of existing assets (damage to properties and assets in "high risk" locations). – Reduced revenues from financing/non-financing of highly polluting products/sectors. – Reduction in the value of fixed assets (e.g., highly polluting assets). – Increased costs and reduced demand for products and services due to fines and court rulings. – Absence or little integration of an operational efficiency strategy. – Long-term cost increase of resources (circularity, energy, water).	– Financing of new activities related to the energy transition (mitigation and adaptation): • Biofuels and hydrogen transport, ST; • CO_2 sequestration, LT • Renewable energy, ST; • Green hydrogen, MT; • Nuclear fusion, LT; • Distribution of solar panels in construction and infrastructure, ST; • Building renovation, ST; • Adaptation of infrastructure, ST; • Low-emission electric transport, ST; • Hydrogen transport, LT; • Metals for electric vehicles, ST; • Agricultural waste as biogas, ST; • Energy in agricultural plants, MT; • Anti-drought products, MT; • Carbon credits markets, ST; • Other sectors moving toward carbon neutrality, ST. – Financing of sustainable activities, without pollution controversies. – Financing of sustainable activities, without controversies due to contamination. – Recognition for positioning as an environmentally efficient company. – Cost savings through improved efficiency in the consumption of resources (water, energy, paper).
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.3 Report on climate change and other environmental and social issues.				
2. Natural capital	Management of risks and opportunities related to natural capital: Measures taken to preserve or restore biodiversity; impacts and dependencies of natural capital; impacts caused by activities or operations in protected areas, as well as corrective or compensatory measures carried out.	– Contribution to slowing and reversing ecosystem degradation by directing and leveraging financing toward more sustainable sectors and activities and excluding more harmful activities. – Contribution to the preservation or restoration of biodiversity by financing projects aimed at the protection and/or restoration of natural capital (forest protection, reforestation, ecosystem restoration, etc.), including the blue economy.	– Ecosystem degradation through soil degradation, depletion of water resources or destruction of forests and biodiversity as a consequence of the negative environmental impacts of the portfolio in general; and by financing customers/sectors/operations with a high impact on ecosystem degradation. – Degradation of ecosystems in areas of high ecological value through the financing of customers/operations with activity in these locations.	– Portfolio exposure to sectors with a high dependence on natural capital. – Portfolio exposure to sectors with a high impact on natural capital that are unable to adapt or are slow to adapt to new natural capital protection requirements.	corresponding time horizon): – Sustainable forest management, ST – Reforestation, ST – Blue economy, MT – Nature-based solutions (NBS), MT – Organic farming, ST – Adaptation of sectors in general to the degradation of ecosystems, ST – Adaptation of infrastructure, ST – Anti-drought products, MT
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.3.6 Management of direct and indirect impacts.				

[1] The impacts identified, both positive and negative, are potential, as they come mainly from the UNEP-FI tool that considers the potential impacts of BBVA's portfolio.

SOCIAL

Issue	Description	Impact materiality (2)		Financial materiality	
		Positive impacts	**Negative impacts**	**Risks**	**Opportunities**
3. Simplicity, agility and self-service	Offer a good experience for all customers, ensuring simplicity, agility, speed and self-service. In addition to fostering innovation and digitalization of customer service and business: the development of new disruptive technologies and consolidation of Big Tech.	– Contribution to the transformation toward a digital and connected economy. – Access to financing and financial services through the promotion of new channels, products and digital services (indirect). – Access to financing and financial services by facilitating accessibility, simplicity and agility in customer transactions (indirect).	– Indirect negative impacts on access to financing and financial services due to the possible exclusion of certain vulnerable groups that may not be able to adapt to digitalization (e.g. senior citizens). – Exclusion of groups with less adaptability to changes geared toward new technologies (e.g. the elderly, rural areas).	– Lack of adaptation or slow adaptation to digital transformation expectations. – Loss of business due to competition from digital players providing financial services. – Costs associated with investments resulting from the approach and facilitation of services. – Implementation of solutions, products or services perceived as inadequate.	– Development of new innovative and digital financial products and services. – Positioning and recognition by stakeholders, especially customers, as an innovative and digital company. – Positioning and recognition by stakeholders, especially customers, as a company that offers a simple, agile and fast service. – Positioning and recognition by stakeholders, especially customers, as a company that provides and facilitates access to people from vulnerable groups (people with disabilities, the elderly, etc.) to its facilities.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.1.3 Main progress made in executing the strategy; 2.2.1 Customers				
4. Financial health and personalized advice to customers	Management of customer relations: channels used to measure customer satisfaction, complaints channel, proposed solutions and personalized recommendations to improve their financial health and achieve their life goals.	– Positive contribution to the health of the economy through access to quality and personalized financial services. – Positive contribution to the financial health and well-being of customers. – Positive contribution to consumer protection (indirect). – Financial education for customers and society in general; and specific education for disadvantaged and/or vulnerable groups (indirect). – Access to quality financial products and services.	– Negative effects on the health of the economy due to the lack of quality and personalization of financial services. – No contribution or negative contribution to the financial health and well-being of customers. – No contribution or negative contribution to consumer protection (indirect).	– Inadequate design of the product and service catalog, due to lack of inclusion of ESG oriented products and services, or lack of inclusion of ESG criteria in products and services (associated with non-compliance with customer needs). – Inadequate management of customer claims/ complaints.	– Positioning and recognition among customers as a reliable and responsive company.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.1.3 Progress made in executing the strategy / A differential bank for our customers with a unique value proposition				

5. Inclusive growth	Promote access to financing sources for low-income populations and small businesses/professionals with fewer resources and possibilities. Development of new products with the help of new technologies that open up new markets previously inaccessible due to the risk factor, complemented by efforts to improve the financial education of customers to ensure informed decision making. Company commitments to society and the populations and territory in which it is present, in employment and local development through philanthropic activities carried out by the company.	– Access to financing and financial services in less accessible areas (e.g. rural areas). – Access to financing and financial services for vulnerable and disadvantaged groups; both through the offer of financing in general and through the offer of products aimed at these groups. – Financial education for customers and society in general; and specific education for disadvantaged and/or vulnerable groups. – Accessibility of financial products. – Products aimed at SMEs and the self-employed with less access to financing and sustainable business models. – Positive impact on society and communities by fostering partnerships.	– Lack of access to financing and financial services in less accessible areas (e.g. rural areas). – Lack of access to financing and financial services for vulnerable and disadvantaged groups; both through the offer of financing in general and through the offer of products aimed at these groups. – Lack of financial education for customers and society in general; and specific education for disadvantaged and/or vulnerable groups. – Lack of accessibility of financial products. – Lack of products aimed at SMEs and the self-employed with less access to financing and sustainable business models.	– Reputational loss due to lack of or insufficient financial inclusion measures. – Loss of competitiveness/income due to excessive focus on financial inclusion. – Reputational risk due to lack of contribution or inadequate contribution to the requirements of the social environment.	– Positioning and recognition by stakeholders, especially customers, as a company that provides and facilitates access to financing for vulnerable groups, disadvantaged areas and promotes the revitalization of the local and regional economy. – Development of new products and services aimed at disadvantaged and/or vulnerable groups or underserved areas. – Promoting financing for SMEs and the self-employed with less access to financing. – Positioning and recognition by stakeholders as a philanthropic company.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.3 Report on climate change and other environmental and social issues./ 2.3.5 Metrics and goals: Channeling sustainable business; 2.2.4 Society/Contribution to society.				
6. Business ethics, culture and customer protection	To guarantee an environment of business ethics by ensuring compliance with regulations in this area and the establishment of policies and measures in relation to insider trading, anti-corruption, anti-bribery and anti-money laundering, for example. In addition to the implementation of measures aimed at offering a quality service guaranteeing customer safety: transparency in customer information; prevention and detection of bad sales practices, for example, company policies on compensation or other incentives that may generate risk in the sale of products and services that may be detrimental to the benefit of customers, and so on.	– Positive contribution to consumer protection. – Positive contribution to the health of the economy through access to quality and transparent financial services (indirect). – Positive contribution to the financial health and well-being of customers (indirect). – Positive contribution to the health of economies. – Positive contribution to the achievement of ethical, resilient and solvent institutions.	– No contribution or negative contribution to consumer protection. – Negative effects on the health of the economy due to the lack of quality and transparency of financial services (indirect). – No contribution or negative contribution to the financial health and well-being of customers (indirect). – No contribution or negative contribution to health of the economies. – No contribution or negative contribution to the achievement of ethical, resilient and solvent institutions.	– Loss of competitiveness/revenue due to inappropriate advice and marketing (including malpractice and/or lack of transparency in the advice and marketing process, possible discrimination against customers in access to services and products; failure to offer products and services appropriate to the needs and/or type of customer, with special attention to vulnerable customers). – Loss of competitiveness/revenue due to inadequate product and service catalog design, including abusive clauses, wrong target audience, misallocation of customer risk level, etc. – Litigation related to non-compliance with customer protection matters arising from regulatory requirements. – Reputational risk and litigation for corruption, fraud, bribery and tax non-compliance.	– Positioning and recognition by stakeholders, especially customers, as secure against cyber attacks. – Positioning and recognition by stakeholders, especially customers, as a company that ensures good compliance and the fight against unethical activities (bribery, corruption, money laundering).
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.2.1 Customers/Conduct with customers, Security and customer protection and 2.2.4 Society / Compliance and conduct				
7. Cybersecurity	Measures aimed at guaranteeing the security of the entity at software and information security level to avoid theft, attacks or alterations of any kind, that could compromise the credibility and good work.of the company.	– Positive contribution to the health of the economy through the protection of customers' finances. – Cybersecurity education for customers and society in general; resulting from information campaigns (indirect).	– No contribution or negative contribution to the health of the economy due to lack of protection or inadequate protection of customers' finances.	– Loss of competitiveness/revenue due to failures in information systems and/or lack of protection against cyber-attacks; leaks of confidential information and security breaches. – Excessive dependence on service providers for cybersecurity management.	– Positioning and recognition by stakeholders, especially customers, as a company safe from cyber-attacks. – Development of solutions against cyber-attacks that can provide a competitive advantage in the market.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.2.1 Customers/Customer security and protection.				

8. Responsible use of data	Guarantee the privacy and security of personal financial data in the face of current, emerging and continuously evolving cybersecurity threats and technologies, in addition to possible actual data leaks that endanger customers' personally identifiable information and credit and debit card fraud, as well as compliance with the laws pertaining to this effect, in the case of Spain the Organic Law 3/2018, of December 5, on Personal Data Protection, and guarantee of digital rights.	– Positive contribution to the health of the economy through the protection of customers' finances and data. – Protection of the right to privacy. – Education on responsible use of data for customers and society in general; resulting from information campaigns (indirect).	– No contribution or negative contribution to the protection of the right to privacy.	– Loss of competitiveness/revenue due to inadequate processing of customers' personal information. – Reputational risk due to inadequate processing of employees' personal information. – Litigation related to non-compliance regarding data use, arising from regulatory requirements.	– Positioning and recognition by stakeholders, especially customers, as a company that makes responsible use of data.
	Additional information related to the measures adopted to manage the issue, the associated impacts and the monitoring of the effectiveness of the measures adopted is included in the chapter: 2.2.1 Customers / Customer security and protection				
9. Human Rights	Actions aimed at promoting, protecting and ensuring the effective exercise of human rights: creation of policies, identification of associated risks, control and management of possible human rights violations, and so on, by the entity and related third parties (e.g., suppliers).	– Positive contribution to the protection of the human rights of employees, customers, third parties and society in general: • Financing of customers/activities/sectors with a positive contribution to human rights (such as activities that provide access to services and commodities). • Contracting suppliers that protect the human rights of their employees. • Positive contribution to improving the protection of employees' rights. – Positive contribution to the social development of the countries in which we operate, by contracting local suppliers. – Sustainable transformation of suppliers through the introduction of contractual clauses that require progress in Human Rights issues.	– No contribution or negative contribution to the protection of human rights of employees, customers, third parties and society in general. For example: • Financing of customers/activities/sectors that violate human rights. • Contracting suppliers that violate the human rights of its employees. • Violation of the rights of direct employees. – No contribution or negative contribution to the social development of the countries in which we operate, by contracting local suppliers. – Failure to contribute to the sustainable transformation of suppliers as a result of bad practices in the supplier approval process (e.g. working conditions that do not respect human rights) or failure to include sustainability requirements.	– Reputational risk and litigation for non-compliance with employees' human and labor rights. – Portfolio exposure to sectors/customers/ operations with a high risk of human rights violations. – Poor practices or cases of violation of human rights by a third party that may be linked to the company or the sector. – Poor practices in social and governance matters by a third party supplier or contractor that may be linked to the company or the sector. – Unfair and abusive contractual conditions. – Lack of social and environmental due diligence processes for hiring and retaining suppliers and contractors (including modern slavery, forced labor and child labor).	– Positioning and recognition by stakeholders as a company with a positive contribution to human rights. – Promotion of the financing of activities that provide access to services and basic products, especially for populations or regions with difficult access. – Strengthening relationships with suppliers by promoting the defense of human rights and establishing alliances.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.2.4 Society/Commitment to Human Rights and 2.2.5 Suppliers				
10. Diversity and work-life balance	Measures to ensure the management and integration of individual differences within the company's stakeholders: implementation of discrimination, equality and diversity policies and plans; other initiatives aimed at ensuring equal opportunities, work-life balance, disconnection from work, and employee well-being.	– Positive contribution to the objectives of ensuring equal opportunities. – Contribution to the well-being of society.	– No contribution or negative contribution to the objectives of ensuring equal opportunities. – No contribution or negative contribution to the well-being of society.	– Reputational risk and litigation for cases of discrimination, limitation of maternity/paternity rights, harassment at work or similar among employees. – Poor practices in equality and work-life balance, or cases of discrimination by a third party that may be linked to the company or the sector. – Lack of adaptation or slow adaptation of the company's strategy (and implementation of measures) to promote equality, diversity and conciliation that may affect the perception of employees and other stakeholders about the company	– Positioning and recognition by stakeholders, especially employees, as a company that promotes equal opportunities and work-life balance. – Increased productivity as a result of the implementation of actions to improve work-life balance.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.2.3 Employees/Professional Development/Diversity, inclusion and different capacities.				

11. Commitment to employees	Talent management measures such as selection, attraction, retention and development of talent: Organization of working time; remuneration policies, competitive and fair wages; training policies and initiatives and career plans. Organization of social dialogue, including procedures for informing, consulting and negotiating with personnel: freedom of association, relationship with unions and collective bargaining agreements. And measures aimed at preventing occupational hazards and promoting the health (physical and mental) and safety of employees.	– Generation of quality employment and the payment of decent wages. – Contribution to the well-being of society. – Positive contribution to employees' labor rights. – Positive contribution to the safety, health and integrity of employees. – Positive contribution to health and safety education.	– Generation of employment with worsening quality. – No contribution or negative contribution to the well-being of society. – No contribution or negative contribution to employees' labor rights. – No contribution or negative contribution to the safety, health and integrity of employees. – No contribution or negative contribution to health and safety education.	– Reputational risk and litigation due to lack of fair and decent salary conditions. – Lack of adaptation or slow adaptation of the company's strategy (and implementation of measures) to promote talent attraction and retention that may affect the perception of employees and other stakeholders about the company. – Reputational risk or litigation due to limitations on freedom of association and collective bargaining; or perception of limitations to such rights. – Lack of or insufficient measures related to the protection of the safety, health and well-being of employees	– Positioning and recognition by stakeholders, especially employees, as a company that facilitates the career development of its employees. – Positioning and recognition by stakeholders, especially employees, as a company that favors social dialogue. – Positioning and recognition by stakeholders, especially employees, as a company that protects the health and safety of its employees.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 2.2.3 Employees.				

(2) The impacts identified, both positive and negative, are potential, as they come mainly from the UNEP-FI tool that considers the potential impacts of BBVA's portfolio. The assessment module is currently under development, which will allow us to evaluate what proportion of the impact is real and what proportion is being mitigated.

GOVERNANCE

Issue	Description	Impact materiality [3]		Financial materiality	
		Positive impacts	Negative impacts	Risks	Opportunities
12. Solvency and financial results	Entity with ample capital and liquidity, thus contributing to the stability of the system, together with an adequate management of fiscal information. One that generates good results over time. In other words, a sustainable business model in the current ecosystem.	– Positive contribution to the health of economies. – Positive contribution to socioeconomic well-being.	– No contribution or negative contribution to health of the economies. – No contribution or negative contribution to socioeconomic well-being.	– Solid financial situation, fundamental for the permanence of the entity – Maintain adequate solvency levels and develop a resilient business model. – Failure to meet the expectations of stakeholders.	– It supports the growth of the banking business and the number of customers. – Allows you to maintain access to financial markets.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: 3. Financial information.				
13. Corporate governance and adequate management of all risks	Ensuring compliance with best practices in the area of good governance: composition, independence and remuneration of the governing bodies; promotion of transparency; promotion of control, management and actions against anti-competition and monopolistic practices; promotion of competencies in economic, social and environmental matters among the members of the Board of Directors/management, and so on. In addition to having a risk management and control model: systems and procedures used to detect and assess the various risks to which the company is exposed in accordance with the national, European or international frameworks of reference for each matter. Management and control of all types of risks: traditional risks as well as social, climate, environmental and governance risks, systemic risk, risk of adaptation to different regulations and the resilience of the company. Impacts detected as a result of these risks and mechanisms to address them.	– Positive contribution to the achievement of ethical, resilient and solvent institutions. – Positive contribution to equal opportunities and diversity (through diversity in senior management positions). – Positive contribution to the health of the economy through the mitigation of risks that may affect it. – Positive contribution to the achievement of resilient institutions	– No contribution or negative contribution to the achievement of ethical, resilient and solvent institutions. – No contribution or negative contribution to equal opportunities and diversity (through diversity in senior management positions). – No contribution or negative contribution to the health of the economy through the mitigation of risks that may affect it. – No contribution or negative contribution to the achievement of resilient institutions.	– Corporate governance structure or practices not aligned with good governance principles and standards. – Inadequate inclusion of new types of risk or without the necessary speed. – Absence or lack of mitigation plans for all relevant risk typologies. – Lack of integration of risks (traditional and non-traditional) in the company; or inadequate integration or without the required speed.	– Creation of long-term value through the development of a strong governance policy that seeks to benefit shareholders and key stakeholders. – Identification of new opportunities to counter emerging risks.
	Additional information related to measures taken to manage the issue, associated impacts and monitoring of the effectiveness of the measures taken is included in the chapter: Annual Corporate Governance Report; 4. Risk management.				

[3] The impacts identified, both positive and negative, are potential, as they come mainly from the UNEP-FI tool that considers the potential impacts of BBVA's portfolio.

Phase 3 - Assignment of weights and weighting of material issues

To prioritize material issues based on the assessment of the impact that BBVA has on the environment, the UNEP-FI impact identification tool -Portfolio Impact Analysis Tool for Banks- has been used as a base source for both Consumer Banking and Institutional Banking, resulting in a measurement and prioritization of potential positive and negative impacts. The results obtained have been complemented with other sources such as the TCFD report, the human rights due diligence procedure carried out in 2021, and the ENCORE tool (for natural capital issues) to weigh the issues.

In order to prioritize material issues based on the impact that the environment has on BBVA, various sources and analyzes carried out by BBVA have been used from the perspective of risks and opportunities of the issues. The risk assessment has been carried out considering its impact and probability.

After the identification of the associated risks and the quantification of the risks from the different sources used, the calculation of the risk measurement is added with respect to the different issues.

Materiality matrix

The link carried out from the beginning between potentially material issues with the analysis of impact materiality (ordinate axis - Y) and financial materiality (abscissa axis - X) makes it possible to order these issues on two axes based on the impact of BBVA on the environment and impact of the environment on BBVA.

This makes it possible to identify the most relevant material issues in order to prioritize the focus and proceed of the company when dealing with possible impacts and opportunities.

Objectives and degree of progress for material issues for BBVA in 2022

The objectives and degree of progress of the indicators that the BBVA group has established to manage the most relevant material issues are detailed below:

GOALS AND LEVEL PROGRESS OF THE MATERIAL ISSUES FOR BBVA 2022

Material issue	Indicator	Goal	2022 Progress
Climate change and Inclusive Growth	Sustainable finance mobilization	€300bn between 2018-2025 (1)	€136bn accumulated between 2018-2025 (2)
Climate change	Sector Allignment indicators	Intermediate decarbonisation objectives have been established for 2030 for five sectors (electricity generation, oil and gas, automotive, steel and cement) and for the coal sector a phase-out until 2030 for developed countries and 2040 for the rest of the countries. For more information on the objectives and progress on the alignment of the portfolio with the Paris Agreement, see the section "Identification, measurement and integration of climate change risk into risk management" in the chapter "Management of risks associated with climate change and environmental factors".	
	Energy obtained from renewables sources	70% in 2025 and 100% in 2030	92%
	CO_2 emissions (scope 1 and 2)(3)	-68% reduction in 2015-2025 period	-81%
Financial health and personalized advice to customers	NPS Retail	To be the best Bank in all the geographical areas in which BBVA is present	As of December 31, 2022, BBVA maintained its leadership in the retail NPS indicator in Spain and Mexico. In Turkey, Colombia, Peru, Uruguay and Argentina, BBVA was in second place.
	NPS of customers using Advice tools in Spain	NPS higher than customers who do not use Advice tools in Spain	The NPS of clients who use Advice tools in Spain is 31% higher than that of clients who do not use them.
	Leakage rate of customers who use Advice tools in Spain vs those who do not use them	Leakage rate lower than customers who do not use Advice tools in Spain	The leakage rate of clients who use Advice tools in Spain is 44% lower than that of clients who do not use them.
Solvency and financial results	Regulatory capital: CET 1 fully-loaded ratio	2022: 11.5%-12%	12.61%
	ROTE	2024: 14%	15.3%
	TBV/Share + Dividens	2024: 9%	7.8%
	Efficiency ratio	2024: 42%	43.2%
Corporate governance	% of women on the Board of Directors	40% of women Directors	40%
Simplicity, agility and self-service	Grow in target customers (4)	2021-2024: 10 million customers	6.2 million
	% Digital Sales (PRV (5))	59.44%	61%
Diversity and work-life balance	% of women in management positions	35% of women in management positions in 2024	33.5%

(1) For the purposes of the 2025 Objective, the channeling of sustainable business includes the entities that are part of the BBVA Group as of 12/31/2022 as well as the foundation BBVA Microfinanzas.

(2) For the purposes of the 2025 Objective, channeling is considered to be any mobilization of financial flows, cumulatively, towards activities or customers considered sustainable in accordance, fundamentally, with existing regulations, internal standards inspired by existing regulations, market standards such as Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles and Sustainability Linked Loan Principles of the Loan Market Association and best market practices. The foregoing is understood without prejudice to the fact that this mobilization, both initially and at a later time, may not be recorded on the balance sheet. To determine the amounts of channeled sustainable business, internal criteria are used based on both internal and external information, either publicly available, provided by customers or by a third party (mainly data providers and independent experts). BBVA does not assume responsibility for the opinions expressed by third parties or for any errors or omissions in the information coming from external sources.

(3) For more information regarding the objectives and progress of CO_2 emissions, see the section "Management of direct impacts" of the section "2.3.6 Management of direct and indirect impacts" within the chapter "2.3 Report on climate change and other environmental issues and social".

(4) Target customers are those customers that the bank wants to grow and retain, considering them to be of high value, either due to their level of assets, liabilities or transactions with BBVA.

(5) Product Relative Value as a proxy of lifetime economic representation of units sold

2.4.2 Information related to article 8 of the European Taxonomy

Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council, of June 18, 2020 (hereinafter, the Taxonomy Regulation), regarding the establishment of a framework to facilitate sustainable investments, establishes certain obligations of disclosure of non-financial information to companies subject to the Non-Financial Information Directive (hereinafter NFRD). Based on this, financial institutions must include in their Non-Financial Information Report certain information on their exposure to the economic activities included in the EU taxonomy by virtue of the aforementioned article 8.

At present, Delegated Act 2021/2139, which completes the Taxonomy Regulations, covers the objectives of climate change mitigation (known by the acronym CCM or Climate Change Mitigation) and adaptation to it (known by the acronym CCA or Climate Change Adaptation).

The rest of the environmental objectives foreseen by the Taxonomy, such as the protection of water and marine reserves, the transition to a circular economy, the prevention of pollution and the protection of the ecosystem, as well as other social objectives have not yet been developed. As the regulation develops, BBVA will publish the sustainability information as appropriate at all times. The main novelty during the year 2022 is that on July 15, the delegated act Regulation (EU) 2022/1214 was published in the Official Journal of the European Union, which modifies the taxonomy, including nuclear and gas energy as sustainable as long as they are complied with certain characteristics[41]. BBVA will include the specific breakdowns indicated in said delegated act at the end of the next financial year, as well as all the information on alignment on the Taxonomy that is required to be broken down in accordance with article 8.

Based on the above, the ratios as of December 31, 2022 and 2021 for BBVA Group in accordance with the provisions of Delegated Regulation 2121/2178 of July 6, 2021 and the clarifications of the European Commission are as follows[42]:

RATIOS (BBVA GROUP, PERCENTAGE)

	2022	2021
% exposure to economic activities included in the Taxonomy (Taxonomy-elegible) (1) (2)	45.2	45.6
% exposure to economic activities not included in the Taxonomy (Taxonomy-non-elegible) (1) (2)	9.4	10.5
% exposure to central governments and central banks	28.7	28.5
% exposure of non accredited to NFRD. (1)(3)	37.2	35.2
% trading portfolio exposure	15.5	18.6
% inter-bank demand loans portfolio exposure	1.4	1.6
% derivatives exposure	5.9	4.9

(1) The ratios have been prepared with data from the most representative BBVA Group entities that include 96.5% of total assets. The financial assets analysed correspond to the categories of financial instruments valued "At amortized cost", "Fair Value with Changes in Other Comprehensive Income (FVOCI)", "Fair Value with Changes in P&L" and "Non-negotiable at Fair Value with changes in results". These ratios represent the best estimates available to date.

(2) Regarding the eligibility of an asset, the economic activities of the clients are classified as eligible according to the Delegated Regulations that complement Regulation (EU) 2020/852 of the European Parliament and of the Council. Economic activities covered by the Delegated Acts of Climate Change Mitigation and Climate Change Adaptation are considered eligible. EU regulation has not been developed for the other environmental goals, therefore eligibility does not cover a wide range of potentially sustainable economic activities and exposures. The modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, by which nuclear energy and gas are included in the Taxonomy, were taken into account for the ratios as of December 31, 2022.

(3) BBVA considers Not Subject to the NFRD those counterparties within the category of "Non-Financial Corporations" that are considered SMEs located in the EU for regulatory reporting purposes, as well as counterparties with registered offices outside the EU. Exposure to individuals includes self-employed workers, in which case the activity code (NACE) is reviewed to determine their eligibility. The rest of the exposure corresponding to the retail segment is considered eligible, for example, in the case of housing loans, regardless of their energy rating or efficiency.

The eligibility of economic activities according to the EU Sustainability Taxonomy is a broader concept than environmental sustainability. It should be noted that it is not an environmental performance indicator, but rather an indicator that shows economic activities that have the potential to be aligned with the Technical Selection Criteria of Delegated Act 2021/2139. That is, these activities are included in the Taxonomy, but it does not mean that they can be considered sustainable in all cases, since it has not been analyzed whether they strictly meet the technical criteria to be considered aligned.

In this way, those activities that are included in the aforementioned regulatory framework will be eligible, although they do not necessarily meet the technical criteria for their classification as sustainable, while the ineligible activities will be those that have been discarded or have not yet been included in the Taxonomy. The cement sector serves as an example, where it can be said that this economic activity is considered eligible because it can be sustainable, but not all cement companies produce efficiently as required by the Taxonomy.

The following have been considered when preparing the ratios: ratios number 3, percentage exposure to central governments and central banks, number 5, percentage exposure to the trading portfolio, and number 7, derivative exposure percentage, are calculated on the Group's total assets. The other ratios are calculated using the same methodology as in the definition provided by the European Commission for the Green Asset Ratio (hereinafter, the GAR), which enters into force on January 1, 2024. Thus the percentages are calculated on the total assets covered in the GAR, which are all the exposures on the balance sheet, except for the exposures to central governments, central banks and the trading portfolio.

[41] These updated eligibility criteria have been taken into account to determine the ratios as of December 31, 2022. After having considered them for the 2021 financial year, no significant variations have been observed in the ratios for said financial year.

[42] Sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en" published on December 20, 2021 (update for the last time on October 2022)

Since 2022, to determine eligibility, BBVA Spain is using information from the adjusted Statistical Classification of Economic Activities in the European Community (adjusted NACE). This is information generated internally by GRM and used for internal risk management and represents the best internally available information. For the rest of the geographical areas, information has continued to been use on the economic activities of customers applying equivalent local standards in the geographies where the Group operates. These local classifications by activity have an equivalence to NACE. This information is also available in the computer systems and is used to assess the specific economic activities of customers, both in internal management (origination, risk assessment) and in the regulatory area (FINREP).

As of 2023, companies subject to the Non-Financial Information Directive (NFRD) will make public the information corresponding to the economic activities they carry out in relation to the Taxonomy. The BBVA Group will incorporate this information into its analysis of the economic activities that comply with the regulation (alignment), thereby allowing greater precision in the measurement of the economic activities that it finances based on the Taxonomy.

The information related to the alignment of the objectives, financed economic activities, description of the strategy, the products developed and marketed as well as the integration of ESG aspects in the relationship with customers are included in the chapters "Report on climate change and other issues environmental and social aspects" and "Integration of ESG aspects in customer relationships" within "Additional information" of this report. The information regarding the weight of the financing of economic activities aligned with the Taxonomy in the global activity of the BBVA Group is broken down in the chapter "Metrics and goals: Sustainable business channeling" of this report. The application of the European Taxonomy in the framework of the sustainable mobilization of the Group is described in the chapter "Additional information on the Group's sustainability standards and frameworks" of this report.

Clarifications with respect to the Sustainable Finance Taxonomy ratios

The eligibility ratios mentioned above have been prepared following the regulatory definitions of the European Commission's Green Asset Ratio (GAR). However, the European Commission allows the option of supplementing the mandatory information with voluntary information and, along these lines, the EU's Platform for Sustainable Finance recommends that banks include the voluntary information they deem appropriate.

Currently the methodology of the EU Taxonomy does not allow financial institutions to include in the sustainability ratios any exposures to companies not subject to the NFRD. Therefore, companies domiciled in a third country outside the EU to which the Directive does not apply, and companies in the EU which are not subject to this obligation, such as the vast majority of SMEs, are excluded from the above ratios.

However, the European Commission has published on December 19, 2022 the Execution Regulation 2022/2453 on information to be disclosed in the framework of the "Report with Prudential Relevance-Pillar III" in ESG matters, where it is requested that, in addition to the information from GAR, entities may report another additional ratio known as BTAR (Banking Book Taxonomy Alignment Ratio) that includes exposure to non-NFRD counterparties. This ratio, although not mandatory, will enter into force in December 2024.

In this sense, taking into account that the BTAR ratio would cover the eligible exposures (according to the concept of eligibility described above) of countries outside the EU, and the recommendation of the European Commission on voluntary disclosures, the degree of eligibility of global exposures, as of December 31, 2022 and 2021 following the BTAR ratio calculation methodology is presented below.

ELIGIBILITY RATIOS ACCORDING TO BTAR METHODOLOGY (BBVA GROUP, PERCENTAGE)

	2022		2021	
	% exposure of eligible economic activities	% exposure of non-eligible economic activities	% exposure of eligible economic activities	% exposure of non-eligible economic activities
TOTAL [(1)(2)(3)]	58.1	33.6	57.4	33.9

(1) Public administrations, central governments and trading portfolio are excluded as they are not part of the Green Asset Ratio (GAR)

(2) The main difference to the ratios calculated according to the Taxonomy methodology is that all exposures are included, both NFRD and Non-NFRD, in order to have a holistic view of the Group.

(3) Those items excluded in the denominator or numerator of the GAR, such as interbank loans, derivatives, cash or other assets such as Goodwill, are not included in the components of the ratio.

2.4.3 Additional information on the BBVA Group's sustainability standards and frameworks

Origination of sustainable finance and Taxonomy of the European Union (EU)

BBVA's approach to the origination of sustainable financing includes the channeling of financial flows towards activities or customers considered sustainable under certain criteria, basically following the following formats:

- Finalist financing: the use of the funds is allocated to a sustainable activity or purpose in accordance with:
  - The EU taxonomy developed so far (climate change mitigation and adaptation objectives);
  - Internal standards inspired by said taxonomy (or by the reports available on the objectives and categories not yet developed - environmental objectives other than adaptation or mitigation, social objectives or certain transition activities-) that may, additionally, present a certain degree of flexibility when applied in non-European geographic areas in order to reflect their different national circumstances and avoid excluding emerging markets. If a local taxonomy is developed locally, the latter will be applied;
  - Other market standards such as the SDGs or the LMA and ICMA principles for green and social loans and bonds.
- Generalist financing: in general, linked to a series of indicators or KPIs related to ESG aspects, thus trying to encourage positive behavior in terms of sustainability, in accordance with market standards such as the principles for loans and bonds linked to sustainability of LMA and ICMA.

Framework for sustainable bond issuance

BBVA has extensive experience in the green bond issuance market, an activity that began in 2007 when it took part in the issuance of the first green bond by the EIB. Since then, the Group has led, structured, advised and placed green and social bonds for its customers in Europe, Turkey, the United States, Mexico and South America.

In April 2018, BBVA published its framework for issuing own sustainable bonds, linked to the United Nations Sustainable Development Goals (SDGs). Under this framework, BBVA can issue three types of bonds:

- Green bonds: debt instruments whose funds will be used to finance new and/or existing green projects;
- Social bonds: debt instruments whose funds will be used to finance new and/or existing social projects;
- Sustainable bonds: debt instruments whose funds will be used to finance new and/or existing green and social projects.

It is a framework aligned with the International Capital Market Association (ICMA) Green and Social Bond Principles and the 2018 Sustainable Bond Guide, backed by strong governance and strict management and monitoring. of net funds earned and has an independent verification assessment by an independent third party. The framework is public and is available on the BBVA shareholders and investors website.

In 2022, the new Framework for the issuance of sustainable debt instruments was published (which replaces -except for current issuances- the 2018 Bond Framework). The new Framework has been updated to align it with the eligibility criteria for the environmental and of social growth provided for in the internal standards of the Bank inspired by the EU Taxonomy and extend it to other debt instruments in addition to bonds.Like the previous framework, it takes into account the best practices of the bond market, being aligned with the Green Bond Principles, Social Bond Principles and the ICMA Sustainability Bond Guidelines, and the possibility of adapting it to the future EU Green Bond Standard when it comes into force opens up.It also has the independent verification of the company DNV.The new Framework is public and it is also available on the BBVA shareholders and investors website.

The issuance of green and social bonds is part of BBVA's climate change and sustainable development strategy. In the sustainable bonds market, the Group has carried out, since its inaugural issue in 2018, eight public issues divided between green bonds for an amount of €4,680m and social bonds for an amount of €2,000m. BBVA publishes an annual monitoring report on its own green and social bonds issued. In 2022, BBVA published its fourth report, which includes the impacts of the bonds issued from 2018 to 2021 and is available on the BBVA shareholders and investors website. In relation to the environmental loans and projects financed with the green bonds issued by BBVA, since 2018 a total of 3,666,415 tons of CO_2 emissions have been avoided into the atmosphere, which is equivalent to the annual emissions of 1,451,471 cars. Additionally, the volume of treated water has been equivalent to the annual consumption of 412,965 citizens in Spain. 906,864 tons of waste have been treated, equivalent to the waste generated by 2,051,729 people in one year.

In relation to the social bonus issued in 2021, within the health subcategory, the bonus has enabled 1,044 beds in hospitals and clinics and 184 places in nursing homes, with up to 2,159,014 potential beneficiaries. In the area of education, 53,815 students have been helped. In the affordable basic infrastructure section, the social bond has contributed to extending broadband telecommunications services to more than 200,206 facilities, 303,275 homes and 4,975 companies. Altogether, 814,580 people have potentially benefited. Likewise, more than 814,580 people have benefited from the funds that have been allocated to socioeconomic advances and empowerment, through financing for vulnerable or low-income groups. Finally, 31 families have benefited in the category of affordable housing. In total, almost four million people have potentially benefited from the social destination of the funds raised by the BBVA bond issued in 2021.

CIB framework for sustainable products

BBVA considers that sustainable financing is an important strategy to help its customers on their path towards sustainability and to increase corporate responsibility. In this way, BBVA is committed to developing innovative financial solutions. The Sustainable Products Framework, applicable to the products of BBVA's Corporate & Investment Banking (CIB) activity, is aligned with this strategy, with the SDGs and with the Paris Agreement.

The framework is divided into two types of products:

- SDG-linked: SDG-linked products consist of customer project finance solutions that directly contribute to one or more SDGs. These projects can be considered as green, social or sustainable depending on the use of the funds.
- Linked to sustainability: products linked to sustainability consist of financial solutions that are not based on the use of funds and that will be eligible based on sustainability criteria defined in the Framework itself.

The framework is public and is available on the BBVA shareholders and investors website. It is certified by an independent third party.

2.4.4 Integration of ESG aspects in customer relationships

Integrating ESG in relations with wholesale (corporate and institutional) customers and other business customers

BBVA provides financial services to its corporate and institutional customers from the Corporate & Investment Banking (CIB) and Business and Corporation Banking (BEC) units. These customers range from large corporate and institutional customers of a global nature to smaller ones, with a more local presence or with less sophisticated financial needs.

Due diligence / customer insight

1. Due diligence procedure

In the customer knowledge and assessment process known as Know Your Customer (KYC), based on the information provided by an external ESG expert advisor, BBVA has implemented a process to control that new wholesale customers do not incur in any of the general exclusions or specific prohibitions specified in the environmental and social framework for certain industries. If a potential customer is involved in any controversy or non-compliance, a specific analysis of the situation will be carried out. A plan of dialogue and accompaniment of the customer with measures aimed at understanding and trying to correct the situation may then be undertaken.

In addition, industry-specific sustainability questionnaires have been created with the aim of increasing managers' and risk specialists' knowledge of the environmental performance of large corporate and institutional customers. This is linked to the timing of the preparation or renewal of the client's financial program to make the best data-driven decisions.

2. Analysis of environmental and social risks and opportunities

BBVA has developed a "Guide for the integration of ESG factors in credit analysis." The Guide identifies the key environmental and social aspects by industry and presents metrics to monitor the performance of our large corporate customers within these fields.

In addition, BBVA has defined an internal taxonomy of transition risk. The purpose is to classify sectors according to their sensitivity to this type of risk. In the development and definition of its sectoral frameworks used in credit approval, BBVA identifies the metrics that make it possible to assess the vulnerability of each client to transition risks and to integrate this aspect into risk and support decisions. Further information on this point is available in the chapter "Integrating climate change into risk planning" in this report.

Progress is also being made in developing internal customer classification capabilities based on their public information, low-carbon business profile, and decarbonization plans.

In the field of Business and Corporate Banking (BEC), BBVA has pioneered the use of data analytics to calculate the carbon footprint of companies and use it to offer valuable solutions to our customers. The carbon footprint calculator for companies provides information on the ESG profile of customers (calculation of the footprint, evolution over time, comparison with the sector average and similar companies, etc.). This allows BBVA to categorize its customers and implement advice and commercial actions targeted, customized and adapted to the profile of each customer.

The entity has evolved in the incorporation of functionalities that allow the definition of energy saving objectives, alerts that notify when the objective is being reached and comparison of consumption with other companies in the same sector of activity (NACE), similar level of revenue and number of employees on the workforce, indicating the percentile of monthly expenses compared with peers.

Moreover, BBVA uses natural language processing techniques for the ESG categorization of customers at large scale based on public information such as corporate customer websites, official registries, news, etc. This leadership in digital transformation enriches the business information that is provided and that helps the customers to improve their environmental performance.

In addition to promoting sustainability in the businesses it finances, the BBVA Group has adhered to numerous sustainability initiatives, as detailed in section "2.3.7 Participation in international initiatives" in the chapter "Report on climate change and other environmental and social issues" of this report.

ESG support to wholesale customers (corporate and institutional) and other enterprises

BBVA incorporates sustainability into its day-to-day activities, both in the relationship with customers and in internal processes. In this sense, the definition and execution of the strategy, which incorporates sustainability as one of its priorities, is transversal to the entire organization, and it is the responsibility of all areas of the Group to progressively incorporate it into their strategic agenda and work dynamics. .

In the daily dialogue with customers, both at a strategic and commercial level, sustainability is part of the conversation and value proposition and is integrated into the admission, pricing and risk management processes. BBVA interacts and shares ESG knowledge and best practices with its customers through different mechanisms:

Direct support for ESG

To complete the sustainable offer, the ESG Advisory service was created in 2020 to assist global customers in their transition toward a sustainable future in all sectors of activity. This involves data-driven assessments and guidance to assist customers in undertaking commitments to align with the Paris Agreement and make progress in terms of the United Nations 2030 Sustainable Agenda.

Dialogue with customers on ESG aspects is based on:

- General description of how sustainability is evolving in the political and financial context, explaining the principal regulatory issues, reporting needs, developments in the financial markets, ESG classifications, etc.

- Industrial specialization in industries which are facing the biggest challenges for a transition to a low-carbon economy. oil and gas, energy, automobile manufacturers and auto parts, as well as other industries such as infrastructures, processed food, beverages, cement, fintechs and pharmaceuticals. Customers are informed on the main challenges and opportunities for the industry and the dialogue is focused on a roadmap for each industry to align with the Paris Agreement commitment. To do that, BBVA provides information for its customers on regulation, technological improvements and the best practices of each industry. The Group also provides a comparative analysis on how similar companies are performing in terms of ESG, different alternatives to improve their sustainable profile, and how to establish specific short- and medium-term objectives.

- Description of sustainable finance products. BBVA offers customers a list of sustainable products and finance (bonds, loans, global transactional banking, global markets, equities, mergers and acquisitions).

BBVA directly supports its global and non-global customers to incorporate ESG practices in their business strategies and transactions by carrying out one-on-one visits, invitations to events, advice on projects with technology and consulting firms and other information services.

SME banking customers also have publicity information and a catalogue of sustainable products on the transactional banking website. The Group makes available to its customers product information and sustainability advice and explains their impact on the environment (savings in electricity consumption with an energy efficiency loan, fuel savings when arranging a loan to renew the vehicle fleet, etc.).

Support metrics

In 2022, over 25 global customers were contacted through the ESG Advisory service. Over 300 pitches were also made.

Since 2020, CIB bankers have visited close to 500 large global customers and made more than 300 pitches, with the aim of maintaining a dialogue and discussion focused on sustainability (they represent approximately 15% of the client base corporate and institutional). In total, visits have been made to customers from 42 different countries and of these, close to 20% have been visited in more than one geographical area in which BBVA is present.

In 2022, 30 global customers have been contacted through the ESG Advisory service.

Furthermore, in 2022, close to 350 commercial and ESG advisory visits were made to Corporate and Business Banking (CBB) customers, who have been presented with a value proposition with ESG features adapted to their needs and profile (sector, activity, maturity, relationship with BBVA, risk profile, proposed use of funds, product and price). BBVA has a network of sustainable finance experts (fully fledged throughout Spain and under development in other countries) to support our customers in their transition to a greener future.

The development of sustainable business in customers' companies, focused on promoting sustainable mobility, energy efficiency and renewable energy has led to agreements with third parties for the distribution of electric cars, to enhance energy saving projects and the installation of solar panels. Agreements with energy companies and automotive dealerships stand out.

Likewise, events with sustainability-related content have been organized: trends, sustainable finance, risks, opportunities, energy efficiency, renewable energy, clean transportation and agriculture.

Finally, BBVA, in partnership with a company specializing in managing European funds from the Next Generation EU program approved by the European Commission, offers an information service to customers promoting Spanish business projects related to the environmental transition and sustainable mobility, among other topics. More than 65,000 visits were generated on the aid portal created for this purpose, resulting in more than 2,500 opportunities to provide information in this area.

Exclusions

As part of the corporate strategy, BBVA includes in its Environmental and Social Framework the general exclusions and prohibited activities applicable to the mining, agribusiness, energy, infrastructure and defense sectors. BBVA will not support the provision of financial services to customers covered by the Framework when it verifies the existence of sufficient evidence that they or their transactions are involved in the prohibited activities provided for in the Framework for the defense sector. In the rest of the sectors (mining, energy, agribusiness and infrastructure), a specific analysis of the situation will be carried out, which may mean not starting the relationship, or adopting a plan for dialogue and customer support with measures aimed at understand and try to correct the situation.

Since 2021, more than 300 business groups under this framework were analysed. BBVA initiated a dialogue and accompaniment plan with 17 groups. A review process has been carried out, based on best efforts, of the stock of customers for the progressive implementation of the measures provided for therein.

Integration of ESG aspects with retail customer relationships

The retail banking business units include SME banking, household customer banking and consumer finance.

Due diligence / customer insight

1. **Due diligence process**

BBVA identifies, accredits and documents the activity carried out by our customers through the Know Your Customer process known as KYC. This KYC process, which is renewed periodically, has been designed and implemented through a risk approach and allows a better knowledge of customers, their transactions and segmentation, channels, jurisdictions and transaction monitoring.

2. **Analysis of environmental and social risks and opportunities**

BBVA has been pioneer in Spain to offer the calculation of the carbon footprint to its individual customers thanks to its digital and data analytics capabilities. This service raises the awareness of the Bank's individual customers on the impact its actions have on the environment and help them transition to a more sustainable world. When the characteristics of the property (surface area, energy certification, etc.) are added, BBVA can assess energy efficiency improvements and offer information, for example, about simple and sustainable changes in habits that allow a reduction of utility bills. The cost of an electric vehicle can be compared to a gasoline vehicle so that the user can see the economic advantages of opting for a more sustainable transport solution. Customers will also be able to view and/or subscribe to any of the sustainable products offered by BBVA. The Bank provides its customers with the Valora tool, which allows them to have an estimated automatic appraisal of their real estate and transportation assets.

As well as promoting the sustainability in the businesses it finances, BBVA Group has adhered to numerous sustainability initiatives, as specified in the chapter "2.3.7 Participation in international initiatives" in this report.

ESG support for retail customers

Direct support for ESG

BBVA supports its customers in incorporating ESG practices through one-on-one meetings and visits, mass participation events or project advice with technology and consulting firms. BBVA provides information to its customers through digital channels and through the commercial branch network. A comprehensive service model that ranges from awareness raising, project design and public aid management.

The managers, mobile banking and the commercial website offer a wide catalogue of sustainable investment and financing products, suitable for each of the geographies in which they operate and with a focus, mainly, on sustainable mobility, home renovation with energy efficiency and mortgage associated with energy efficiency. In Spain, a sustainable alternative is already offered for most of the existing traditional products for SMEs and individuals.

BBVA makes information on sustainability available to customers in different digital media. On the corporate website they can find news and articles, on the website and in the mobile banking app they can find information about the sustainable products offered by the bank and even hire them. In addition, numerous tips are included on how to reduce carbon emissions and also achieve economic savings by reducing energy consumption, also offering different savings simulators when using different sustainable goods, an electric car, efficient appliances, condensing boilers or small changes in day-to-day habits such as changing the room temperature or installing LED lights.

Support metrics

In 2022, the carbon footprint calculator received 867,535 visits.

34 events have been organized in various formats (webinars, writing tables, forums, breakfasts, meetings, etc.) that have impacted 33,872 people: 1,643 in-person attendees (5%), 1,691 online (5%), 28,039 streaming (83 %) and 2,499 views of the post-event video (7%). They include content related to sustainability: trends, sustainable finance, achievement of SDGs, risks, opportunities, gender equality and diversity and inclusion policies, energy efficiency, renewable energy, sustainable transport and agriculture.

ESG knowledge transfer

The transfer of ESG knowledge to customers is carried out in the same analogous way both in the field of wholesale and retail customers.

BBVA customers and non-customers have at their disposal on the website (www.bbva.com) and on social networks, information and content on sustainability in general, best practices, financed operations, ESG criteria in the daily activities of companies and individuals, recommendations, etc. There is a team dedicated to the creation and dissemination of knowledge on ESG issues.

Specifically, the Group has a sustainability section on its corporate website, where, through seven different categories, it is possible to access informative content with which BBVA wants to bring society closer to the enormous challenge posed by sustainability.

In 2022, more than 700 articles were created, which added to the 878 in 2021, they impacted more than 7.6 million unique users. In addition, more than 50 podcasts were produced which, together with the 2021 podcasts, they sum more than 560,000 downloads. The newsletter has more than 7,700 subscribers. Since June, the Aprendemos Juntos 2030 project has promoted content related to a greener and more inclusive future, with the involvement of leading international figures. Within this same project, in November, the launch of Desafíos took place. This is a program that brings together young people from different countries and realities to talk and think about the challenges facing their generation. It broadcasts dozens of inspiring videos that seek to raise awareness and open the debate on the world of sustainability today and in the future. In 2022 Aprendemos Juntos Kids project has been launched for youth and their families. Also in 2022, 70 YouTube videos which together with those already uploaded, sum more than 880 thousand views since the start of the project in 2020.

Regarding content shared on social networks, this year they have more than 30 million reactions and more than 55 thousand clicks. Through social networks, BBVA gets closer to people and generates knowledge on ESG issues, seeking to generate a positive impact and raise awareness of the importance of taking action. Our entry into the world of TikTok deserves special attention, where with more than 75 videos published they had more than 39 million views.

It should also be noted that BBVA has issued two webinars in 2022: one on the City of the Future, which has more than 3,200 views, and another on Climate Migrations, which has accumulated more than 3,400 views. The support of these webinars are our sustainable-themed monographs. In total, 8 monographs with topics as varied as the circular revolution, sustainable gastronomy or sustainable tourism, among others, and which already have more than 6.5 thousand downloads.

The second BBVA Sustainability Forum took place in September, also broadcast via streaming, and which brought together representatives of the Public Administration and presidents and CEOs of large global companies in person to discuss the fight against climate change and financing for sustainable growth, with 1,400 customers pre-registered on the web and more than 400 guests in person at the event (320 Business Banking and CIB customers).

In turn, the EduFin Summit 2022 was also held in Madrid and Mexico City, the annual financial education summit organized by the BBVA Center for Financial Education and Capacities, followed by more than 3,000 people and where the participants shared their knowledge on how digitization revolutionizes financial education and promotes the inclusion of the most vulnerable.

2.4.5 Additional information on customer complaints

Customer Care Service and Customer Ombudsman in Spain

The activities of the Customer Care Service and Customer Ombudsman in 2021 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of the Economy, in compliance with the competences and procedures established in the Customer Protection Charter in Spain of BBVA Group, approved on July 23, 2004 by the Board of Directors of the Bank, with subsequent amendments (the latest on February 25, 2021).

Based on the above regulations, the Customer Care Service is in charge of handling and resolving customer complaints and claims regarding products and services marketed and arranged in Spanish territory by BBVA Group entities.

In addition, in accordance with the aforementioned regulation, the Customer Ombudsman is made aware of and resolves, in the first instance, all complaints and claims submitted by the participants and beneficiaries of the pension plans. It also resolves those related to insurance and other financial products that BBVA Group Customer Care Service considers appropriate to transfer it, based on the amount or particular complexity, as established under article 4 of the Customer Protection Charter. In the second instance, the Customer Ombudsman examines and decides on the complaints and claims that the customers decide to submit for their consideration after their claim or complaint has been dismissed by the Customer Care Service.

Activity report on the Customer Care Service in Spain

In the performance of its role, the Customer Care Service (hereinafter CCS) evaluates commercial and operational practices in its relationship with the customer base when a complaint is made. The body continuously reviews complaint management data to identify and address recurring or systemic problems, and potential legal, operational and conduct-related risks.

The CCS is an early warning mechanism for problems arising from the marketing of products or services and/or the relationship between the Bank and its customers.

In 2022, to ensure that CCS managers remain abreast of the key legislative and case-law developments affecting their role, the CCS team received training on the Draft Bill on customer protection services and on developments in the prevention of money laundering and terrorist financing.

In addition, in 2022, the CCS team started a training course on Law 5/2019, of March 15, 2009, regulating real estate loans. Team members are required to accredit their expertise by obtaining a certificate issued by the European Financial Planning Association (EFPA). This action achieved compliance with the recommendation contained in the Guide on the criteria for the organization and operation of customer service departments of banks supervised by the Bank of Spain.

Customer claims received by the CCS of BBVA in Spain in 2022 amounted to 151,246 (203,222 in 2021), of which 137,713 were admitted. The decrease in the number of claims received is mainly explained by the lower number of settlement claims received per account. In the same period, 135,308 were resolved by the CCS itself (including pending claims at the end of 2021). A total of 6,228 remained pending examination as of December 31, 2022. On the other hand, 13,339 files were not admitted for processing because they did not meet the requirements set forth in OM ECO/734 (including claims pending at the end of 2021).

The main types of complaints received in 2022 were those related to accounts and cards.

Additional complaints data points as of December 31, 2022 and 2021 are provided below:

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (PERCENTAGE)

Type	2022	2021
Resources	31	52
Credit cards	22	14
Fraud	15	4
Assets products	12	18
Financial counselling and quality service	6	3
Collection and other services	5	3
Insurances	2	1
Securities and equity portfolios	1	1
Other	6	4
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (NUMBER)		
	2022	**2021**
In favor of the person submiting the complaint	45,318	94,933
Partially in favor of the person submitting the complaint	6,421	17,225
In favor of the BBVA Group	83,569	72,366
Total	**135,308**	**184,524**

Activity report of the Customer Ombudsman in Spain

One more year, the Customer Ombudsman, along with the BBVA Group, achieved the objective of unifying criteria and favoring customer protection and security, making progress in compliance with transparency and customer protection regulations. In order to efficiently translate their observations and criteria on the matters submitted for their consideration, the Ombudsman promoted several meetings with the Group’s areas and units (Insurance, Pension Plan Management, Business, Legal Services, etc.)

In 2022, 1,817 customer complaints were filed at the Customer Ombudsman Office (compared to 2,997 in 2021). Of these, 41 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 137 were pending as of December 31, 2022.

A total of 58.9% of customers who submitted a complaint to the Customer Ombudsman in 2022 reported some level of satisfaction, whether total or partial, because of the decision of the Officer of the Customer Ombudsman. Customers not satisfied by the response of the Customer Ombudsman may have recourse to the official supervisory bodies (Bank of Spain, CNMV and Directorate-General for Insurance and Pension Funds). 112 complaints were filed by customers to supervisory bodies in 2022.

The Group continues making progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information. Throughout 2022, due to the types of complaints received, the Ombudsman's suggestions focused on the need for steps to be taken to improve customer service protocols and enhance the measures the Bank is taking to prevent cyber fraud and raise customer awareness of the risks.

The data on complaints handled by the Customer Ombudsman by type, at the close of 2022 and 2021, are set out below:

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (NUMBER)		
Type	**2022**	**2021**
Insurance and welfare products	800	685
Assets operations	85	401
Investment services	36	110
Liabilities operations	38	257
Other banking products (credit card, ATMs, etc.)	582	817
Collection and payment services	174	344
Other	102	383
Total	**1,817**	**2,997**

The categorization of the complaints handled in the above table follows the criteria established by the Complaints Department of the Bank of Spain, in its requests for information.

The data on complaints handled by the Customer Ombudsman by outcome, at the close of 2022 and 2021, are as follows:

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (NUMBER)		
	2022	**2021**
Formal resolution	—	—
Estimate (in whole or in part)	700	1,861
Dismissed	1,064	1,320
Processing suspended	—	—
Total	**1,764**	**3,181**

2.4.6 Other non financial risks

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

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

3. Financial information

3.1 BBVA Group

3.1.1 Main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)

	31-12-22	Δ %	31-12-21	31-12-20
Balance sheet (millions of euros)				
Total assets	713,140	7.6	662,885	733,797
Loans and advances to customers (gross) (1)	369,260	11.9	330,055	323,252
Deposits from customers (1)	393,856	12.6	349,761	342,661
Total customer funds (1)	544,028	9.5	496,954	471,928
Total equity	50,615	3.8	48,760	50,020
Income statement (millions of euros)				
Net interest income	19,153	30.4	14,686	14,592
Gross income	24,890	18.2	21,066	20,166
Operating income	14,130	22.5	11,536	11,079
Net attributable profit (loss)	6,420	38.0	4,653	1,305
Adjusted net attributable profit (loss) (2)	6,621	30.6	5,069	2,729
The BBVA share and share performance ratios				
Number of shares issued (million)	6,030	(9.6)	6,668	6,668
Share price (euros)	5.63	7.3	5.25	4.04
Adjusted earning (loss) per share (euros) (2)	1.05	48.1	0.71	0.35
Earning (loss) per share (euros) (2)	0.99	47.1	0.67	0.14
Book value per share (euros) (2)	7.80	13.7	6.86	6.70
Tangible book value per share (euros) (2)	7.44	14.1	6.52	6.05
Market capitalization (millions of euros)	33,974	(3.0)	35,006	26,905
Dividend yield (dividend/price; %) (2) (3)	6.2		2.6	4.0
Significant ratios (%)				
Adjusted ROE (net attributable profit (loss)/average shareholders' funds +/- average accumulated other comprehensive income) (2)	14.6		11.4	6.1
Adjusted ROTE (net attributable profit (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	15.3		12.0	6.5
Adjusted ROA (Profit (loss) for the period / average total assets - ATA) (2)	1.00		0.94	0.54
Adjusted RORWA (Profit (loss) for the period / average risk-weighted assets - RWA) (2)	2.14		2.01	1.16
Efficiency ratio (2)	43.2		45.2	45.1
Cost of risk (2)	0.91		0.93	1.55
NPL Ratio (2)	3.4		4.1	4.2
NPL coverage ratio (2)	81		75	82
Capital adequacy ratios (%)				
CET1 fully-loaded	12.61		12.75	11.73
CET1 phased-in (4)	12.68		12.98	12.15
Total ratio phased-in (4)	15.98		17.24	16.46
Other information				
Number of customers (million) (1)	89.3	8.6	82.2	78.8
Number of shareholders	801,216	(3.1)	826,835	879,226
Number of employees	115,675	4.7	110,432	123,174
Number of branches	6,040	(0.7)	6,083	7,432
Number of ATMs	29,807	2.3	29,148	31,000

(1) Excludes BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 and BBVA Paraguay as of 31-12-20.

(2) For more information, see Alternative Performance Measures at the end of this report.

(3) Calculated by dividing the dividends paid in the last twelve months by the closing price of the period.

(4) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis amendments of the Capital Requirements Regulation (CRR), introduced by the Regulation (EU) 2020/873.

3.1.2 Macroeconomic and regulatory environment

Macroeconomic environment

The global economy has decelerated throughout the course 2022, in an environment marked by strong inflationary pressures, an aggressive tightening of monetary conditions, the adverse impact of the war in Ukraine and slower growth in China.

Despite the slowing trend, economic growth showed some resilience and was generally higher than expected by most analysts. This was due to previously accumulated savings, the process of normalization of activity after the restrictions and disruptions generated by the COVID-19 pandemic, and the dynamism of the labor markets, which contributed to an improvement in private consumption and the service sector.

Inflation remained at elevated levels in 2022. However, after surprising on the upside for most of the year, it started to moderate in recent months. This is in line with the slowing trend in aggregate demand, the recent moderation in energy prices and normalization in global supply chains. At year-end, annual inflation stood at 6.5% in the United States and 9.2% in the Eurozone.

Against this backdrop of still elevated inflationary pressures, central banks continued to tighten monetary policy. The U.S. Federal Reserve ("the Fed") raised benchmark interest rates to 4.5% in December (a level 425 basis points higher than at the beginning of 2022) and kept up asset sales to reduce the size of its balance sheet. Further, the Fed indicated that interest rate hikes will continue in the coming months, albeit at a slower pace. In the Eurozone, the ECB has raised interest rates for its refinancing operations to 2.5% in December (a level 250 basis points higher than at the start of 2022). In addition, the central bank has tightened the conditions of its liquidity supply to banks through the TLTRO operations (targeted long-term refinancing operations) and has indicated that it will soon initiate a program to sell its assets. Regarding benchmark interest rates in 2023, additional increases are expected (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively), since inflation remains at high levels. In a context of high uncertainty, BBVA Research's central scenario estimates that the global economy will continue to slow down in the near future, with possible episodes of recession in the Eurozone and the United States. This slowdown in growth will be mainly due to the significant tightening of monetary conditions (interest rates are expected to reach close to 5.0% in the United States and 3.75% in the Eurozone in the coming months; these are clearly contractionary levels, which will remain unchanged until at least the final months of the year 2023) and inflationary pressures are still significant, despite the prospects for moderation.

According to BBVA Research, after growing by 6.3% in 2021 and around 3.3% in 2022, global GDP will grow by only 2.3% in 2023. In the United States, growth would slow to 1.9% in 2022 and 0.5% in 2023, as strong monetary tightening is expected to cause a downward adjustment on growth. In the Eurozone, GDP is expected to slightly fall in the coming quarters, primarily due to the disruptions created by the war in Ukraine, including still high gas prices. The annual growth in the region would be 3.2% in 2022 and -0.1% in 2023. In China, the growth would reach 3,0% in 2022 and 5,0% in 2023, but the wider spread of COVID-19 infections following the financial strains caused by imbalances in real estate markets could trigger slower-than-expected economic growth.

The uncertainty remains at high levels and the risks could have a downward bias on growth. Specifically, sustainable inflation could trigger even stronger interest rate hikes and therefore, a deeper and more widespread recession, as well as higher financial volatility.

REAL GDP GROWTH AND INFLATION (REAL PERCENTAGE GROWTH)

	2022		2023	
	GDP	INFLATION	GDP	INFLATION
World	3.30	7.20	2.30	4.70
Eurozone	3.20	9.20	-0.10	2.90
Spain	5.50	5.70	1.40	4.00
The United States	1.90	6.50	0.50	3.20
Mexico	3.00	7.80	0.60	4.00
South America (1)	3.60	22.60	0.30	21.70
Turkey	5.50	64.30	3.00	42.00
China	3.00	1.80	5.00	2.50

Source: BBVA Research estimates. Inflation end of period.

(1) It includes Argentina, Brazil, Chile, Colombia, Paraguay, Peru and Uruguay

Exchange rate evolution

In the year 2022, foreign exchange markets have been influenced by the central banks' actions to control inflation -aggravated by the war in Ukraine- and the political uncertainties in some countries. This context has benefited the U.S. dollar, which has appreciated 6.2% against a euro, which was particularly penalized until October. The currencies of Latin America have presented an uneven performance in the year 2022. The Mexican peso and the Peruvian sol appreciated by 11.0% against the euro, and the Chilean peso by 4.4%. For its part, the Argentine peso accumulated a depreciation of 38.3% and the Colombian peso of 12.1%. With regard to the Turkish lira, the high inflation environment and the very lax monetary policies continue to negatively affect the currency, losing a 23.7% against the euro during the year.

For information on the BBVA Group's exchange rate risk management policies, see the "Risk Management" chapter of this report.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	31-12-22	Δ % on 31-12-21	Δ % on 30-09-22	2022	Δ % on 2021
U.S. dollar	1.0666	6.2	(8.6)	1.0532	12.3
Mexican peso	20.8560	11.0	(5.8)	21.1889	13.2
Turkish lira [(1)]	19.9649	(23.7)	(9.4)	—	—
Peruvian sol	4.0572	11.0	(4.6)	4.0309	13.8
Argentine peso [(1)]	188.51	(38.3)	(23.9)	—	—
Chilean peso	916.75	4.4	2.7	917.69	(2.2)
Colombian peso	5,130.56	(12.1)	(13.9)	4,469.08	(0.9)

[(1)] According to IAS 21 "The effects of changes in foreign exchange rates", the year-end exchange rate is used for the conversion of the Turkey and Argentina income statement.

Regulatory environment

Regulatory environment 2022: focus on ESG, data and cryptoassets and ESG

During 2022, the regulatory environment for the financial industry has been shaped by a new geopolitical framework caused by the war between Russia and Ukraine and its repercussions. This has shaken up the markets and the financial system and has materialized in a range of economic sanctions imposed on Russia, which have, in turn, prompted a focus on issues related to money laundering and terrorist financing, and the role of cryptoassets.

All this took place alongside the implementation of work plans already stipulated by the regulatory bodies, which focused on three lines of action: (I) climate change; (II) strengthen the prudential framework of the financial system; and (III) digitalization of the banking sector. Another highlight of 2022 were the new data regulations and agreements and the intensification of the global regulatory debate around cryptoassets. Solutions are being sought that address the regulation, supervision and oversight of cryptoassets with a focus on financial stability.

1. ESG: consolidation of taxonomy and itemized disclosures

In 2022, ESG regulatory activity for the European banking system became firmly established and regulation in the United States took off.

At the global level, the BCBS published a statement of principles for effective management and monitoring of climate change-related risks. The principles are designed to be adaptable to different banking systems, in a proportionate manner, depending on the size, complexity and risk profile of the sector. The document lays down 18 principles: 12 for banks (covering corporate governance, internal control, risk management and reporting) and 6 for supervisors (who must ensure that they have adequate resources and capabilities to assess the management of banks).

There are other initiatives driven by global institutions that are advancing swiftly. These include the new International Sustainability Standards Board (ISSB), created in November 2021 by the International Financial Reporting Standards Foundation (IFRS), which in 2022 published two climate and general issues papers for comment, and draft sector-specific standards. The ISSB relied on the Task Force on Climate-related Financial Disclosures (TCFD) and the sector-specific standards of the Sustainability Accounting Standards Board (SASB). The ISSB aims to be a comprehensive global standard-setter. It is therefore partnering with other international organizations and jurisdictions to ensure the development of a robust, internationally applicable framework that will form the basis for the requirements of the various jurisdictions. In addition to the frameworks mentioned so far, we especially highlight the initiatives of the Global Reporting Initiative (GRI), the Value Reporting Foundation, and the WEF (IBC's stakeholder capitalism metrics), with which the ISSB actively collaborates to achieve a global metrics model.

The EU has continued to integrate ESG concepts into prudential regulation, supervision and reporting requirements. In prudential regulation, discussions continued in the legislative negotiation of the CRR III and CRD VI, which introduce the definitions of the different types of ESG risks. In terms of reporting, the European Commission published the Regulatory Technical Standards (RTS), which supplement the Sustainable Finance Disclosure Regulation (SFDR). For its part, the EC has adopted the Implementing Technical Standards (ITS) on Pillar 3 reporting of ESG risks with the aim of integrating all relevant reporting requirements. The ITS provide the tables, templates and instructions that banks should use to disclose relevant qualitative information on ESG risks and quantitative data on climate change-related risks, including transitional and physical risks and mitigation measures. Banks must make the first disclosure in March 2023, releasing data as of December 2022. The first disclosure will be annual and thereafter will be six-monthly.

Regarding taxonomy, the complementary delegated act on climate (mitigation and adaptation) was approved through Delegated Regulation 2021/2139 of June 4, 2021, in order to accelerate decarbonization, and was subsequently modified by Delegated Regulation (EU) 2022/1214 of the Commission of March 9, 2022, which introduces specific information requirements that companies must comply with in relation to their activities in the gas and nuclear energy sectors.

In addition, the European Commission has published a proposal for a Directive on Corporate Sustainability Due Diligence. During 2022, this proposal was under negotiation in the Parliament and the Council. The Directive aims to ensure that companies operating in the internal market contribute to the transition to sustainability through the identification, prevention and mitigation, cessation and minimization of potential or actual adverse human rights and environmental impacts related to the company's own activity or the activities of its subsidiaries or of its value chain. Once adopted, Member States will have two years to transpose the Directive into their national legislation.

Europe has continued to integrate ESG concepts into prudential regulation, supervision, and reporting requirements. Several sustainability reporting standards have been created: one in Europe, following the enactment of the Corporate Sustainability Reporting Directive (CSRD), for the implementation of which the first set of 'European Sustainability Reporting Standards,' prepared by the European Financial Reporting Advisory Group (EFRAG) to the European Commission; and another in the United States, after the Securities and Exchange Commission (SEC) published in March 2022 the paper 'The Enhancement and Standardization of Climate-Related Disclosures for Investors.'

Reflecting the rising importance of ESG issues in supervision, the ECB has launched the first bottom-up stress test exercise for climate change risk supervision to identify vulnerabilities, best practices and challenges faced by banks in managing climate change risk. This was not a pass/fail exercise, nor does it have direct implications for capital requirements, as the results will feed into the Supervisory Review and Evaluation Process (SREP) from a qualitative standpoint only. Participating banks received individual feedback on the results so that they can act accordingly, in line with the best practices to be published by the ECB in the closing quarter of 2022.

2. Prudential environment and scope: strengthening the industry

In the global prudential arena, the Basel Committee on Banking Supervision (BCBS) has addressed new issues. Among other forward steps, the BCBS has adopted a set of principles for the effective management and supervision of financial climate change risks and has advanced the implementation of the prudential treatment of cryptoassets with the publication of its final standard. Moreover, the BCBS has agreed on a roadmap to reflect the development of the European banking union based on the assessment method for global systemically important banks (hereinafter G-SIBs). The Committee has continued to assess risks and vulnerabilities in the global banking system, including those arising from the conflict in Ukraine. The body also addressed the post-crisis regulatory framework, with a focus on the effectiveness of the Basel III reforms, on which a report was published in December 2022.

In the European prudential field, intense negotiations have taken place in the Council and Parliament on the implementation in EU law of the international capital adequacy rules known as Basel III. The proposal presented at the end of 2021 by the European Commission, the "2021 Banking Package", seeks to make EU banks more resilient to potential future economic crises, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. The package comprises three proposals: (I) the proposed capital requirements directive (CRD VI, amending the previous CRD V); (II) the proposed capital requirements regulation (CRR III, amending CRR II); and (III) a separate legislative proposal around bank resolution (the "Daisy Chain proposal"), which also amends CRR V.

The entry into force of the changes will be gradual and is expected to come into effect from 2025. The Daisy Chain-related changes, which came into effect on November 14, 2022, are a raft of reforms related to the bank resolution framework, with special impact on Multiple Point of Entry ("MPE") banks, where capital and liquidity are managed separately in each subsidiary.

Furthermore, the European Banking Authority (EBA) has published final draft Regulatory Technical Standards (RTS) for the probability of default (PD) and loss given default (LGD) risk model for banks using the new internal models-based approach under the Fundamental Review of the Trading Book (FRTB). Regarding non-performing loans (NPLs), the EBA has published several consultation papers on the reporting templates that banks must file. The result is expected to be published in the first half of 2023, and has published the standard on the information required for the sale of NPL loans.

In Spain, the Bank of Spain (Spanish 'BdE') published Circular 1/2022 on liquidity, prudential rules and reporting obligations for financial institutions, which amends Circular 1/2009 and Circular 3/2019. The document sets out the liquidity regulations applicable to financial credit institutions and adapts the reporting obligations of credit institutions regarding solvency and shareholder structure to the activity, business model, size and relative importance of each institution. Moreover, in the context of global economic uncertainty, Royal Decree-Law 6/2022, on urgent measures in response to the economic and social consequences of the war in Ukraine, was adopted to address the economic and social consequences of the war, with short-term measures and steps to accelerate medium- and long-term action on the energy transition. Finally, we highlight the enactment of Law 18/2022, on company formation and growth. The statute includes measures ranging from regulatory streamlining to reduction of the minimum share capital to form private limited companies. It also includes the promotion of collective investment and venture capital, and improved access to finance.

In 2022, the regulatory debate continued on the macroprudential framework and capital buffers. The European Central Bank (ECB) confirmed that it will not extend the loosening of Pillar 2 capital requirements and capital conservation buffer allowed during the COVID pandemic. As of January 1, 2023, banks will return to operating at pre-crisis levels.

Furthermore, the consultation launched by the European Commission in November 2021 on the review of the macroprudential framework, including the design and functioning of capital buffers, was completed. The EBA, the ECB and the European Systemic Risk Board (ESRB) published their respective opinions. The Commission's legislative proposal is expected during the first quarter of 2023.

A relevant novelty is the recognition of the progress of the Banking Union in the method of identification of G-SIBs. In May 2022, the BCBS allowed the calculation of parallel scoring for G-SIBs where 66% of cross-border exposures within the Banking Union for European G-SIBs can be characterized as domestic. This parallel scoring will allow, according to the expert judgment of the national authorities (NCAs), an adjustment of the assignment of the banks to the different levels of required capital (the 'buckets').

Environmental, Social and Governance (ESG) or sustainability criteria are also included in the macroprudential framework, as they were one of the topics addressed in the EuropeanCommission's consultation, which asked whether they should be accorded specific treatment. In July 2022, the ECB and the ESRB published a joint report, "The Macroprudential Challenge of Climate Change," which discusses the adequacy of macroprudential tools to address climate-related risks. The Financial Stability Board (FSB) also commented on this possibility in its final report on supervisory and regulatory approaches to climate-related risks, assessing the pros and cons.

However, at the Eurogroup meeting, the Eurogroup President's proposal to unblock progress on the Banking Union by setting up a European Deposit Insurance Scheme (EDIS) was rejected. The consensus reached was that certain aspects of the bank crisis management and guarantee fund framework need to be reviewed. A legislative proposal is expected by early 2023.

The EBA published its final guidelines for enhancing the resolution capabilities of banks and resolution authorities, which will be applicable as from January 1, 2024. The Single Resolution Board (SRB) published its operational guidance on the identification and mobilization of collateral in resolution, which supplements the 'Expectations for Banks' paper and helps stakeholders understand the operational and legal requirements that banks should anticipate maximizing the amount of assets that could be mobilized as collateral during and after resolution. For its part, the European Commission published a consultation paper to assess the framework for State aid in the banking system, which is linked to the crisis management framework. Finally, the EBA published a consultation paper to revise its guidance on the method for calculating contributions to the Deposit Guarantee Fund (DGF).

3. Financial markets and conduct

During 2022, Europe tried to move forward with small steps in firming up the Capital Markets Union (CMU) project. The European Parliament and the Council reached an agreement on the regulation of European Long Term Investment Funds (ELTIFs). ELTIFs will now be more attractive to investors and strengthen their role as a supplementary source of finance for EU companies. This represents progress towards meeting the milestones of the European Commission's CMU plan by helping to finance the green and digital transitions.

Regulatory efforts on the reform of interest rate benchmarks (interbank offered rates or 'IBORs') have now moved onto the operational implementation phase. The European Securities and Markets Authority (ESMA) replaced the Belgian Financial Services and Markets Authority (FSMA) as supervisor of the EURIBOR administrator as of January 1, 2022. ESMA also chairs the EURIBOR college of supervisors, which brings together all the national supervisors of the banks within the index contributor panel. In addition, ESMA is the supervisor of third country administrators recognized by the EU under the European Benchmarks Regulation. The European Commission published initiatives to designate legal replacements for certain yen LIBOR rates and sterling LIBOR rates. These were not completed, however, and the Commission is expected to publish the final paper by the end of the year. For its part, the EURIBOR administrator, EMMI, officially began publishing the EFTERM (euro forward-looking term rate) index in November. The new index is designed to serve as a substitute for EURIBOR, in compliance with the European Benchmarks Regulation. ESMA issued a recommendation to market makers to start (if they have not already done so) active trading of derivatives with €STR as underlying. Finally, the UK delayed the withdrawal of GBP LIBOR in the 1 and 6 month maturities until March 2023 to give the market more time to make the necessary transitions. In the United States, work continues to designate replacement rates for IBOR US in SOFR (Secured Overnight Financing Rate).

Regarding securitizations, the EBA has published its final draft of the RTS. The standards specify requirements for originators, sponsors and originating lenders in relation to risk retention. In Spain, on July 8, 2022, the new law on bonds came into force, which implements the European directive and affects both existing bonds and future issues.

In relation to the provision of investment services, after the European Commission published its proposals for amendments to MiFIR[43] and MiFID II[44] in November 2021, discussions on these amendments continued during 2022 within the European Parliament and in the Council. Discussions have deviated from the Commission's original proposal. The European framework is now moving closer to the reform underway in the UK, with a reduction in the operational burden. At the national level, the transposition of the changes introduced by the MiFID II Quick Fix was integrated into the draft law on securities markets and investment services, which is currently in the process of being approved by parliament.

Regarding MiFID II regulations, ESMA has published a consultation paper on the perimeter of trading venues. ESMA has also published a supervisory report to ensure EU-wide convergence of supervision of banks using tied agents, in particular those based outside the EU.

In the derivatives market, the European Supervisory Authorities (ESAs) have launched a proposal to extend intra-group exemptions from margining and centralized settlement obligations to transactions with third-country subsidiaries. It has also been proposed to widen the scope of eligible collateral for energy derivatives settled in clearing houses. Finally, the European Commission published a new proposal to amend the European Market Infrastructure Regulation (EMIR) with the main goal of promoting centralized settlement within the EU.

For its part, the EU continues to work along three lines of action that it considers key: (I) shadow banking; (II) protection of retail investors; and (III) Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT).

Regarding the first point, the EBA has published its final draft of the Regulatory Technical Standards (RTS). The standards set out the criteria for identifying shadow banking entities for large exposure reporting purposes. Entities that conduct banking activities or services authorized and supervised in accordance with the EU prudential framework will not be considered to be shadow banks.

On the second point, the ESAs published a paper containing their technical advice to the European Commission on the revision of the Packaged Retail and Insurance-based Investment products Regulation (PRIIPs). The paper, which will feed into the Commission's strategy for retail investors, addresses issues such as how to better adapt the Key Investor Information Document (KIID) to the digital age, and whether to extend the scope of the Regulation to other financial products.

On the third point, AML/CFT, the EBA published its guidelines on policies and procedures relating to compliance management and the role and powers of the AML/CFT compliance officer. The guidelines comprehensively address, for the first time at EU level, the AML/CFT governance structure. In addition, in 2022, negotiations have continued in the Parliament and the Council on the AML/CFT package published by the European Commission. Among other proposals, the Commission launched the idea of creating a European anti-money laundering authority. The EU Council agreed in December its position on the texts of the new AML Directive and the new AML Regulation.

Finally, in the United Kingdom, the Financial Services and Markets Bill was published. The Bill is designed to update part of the UK's regulatory framework following its exit from the EU. The new rules deviate from European standards to promote investment by including specific regulation for cryptocurrency activities.

4. Regulation in the field of digital transformation of the financial sector: data, cryptoassets and the digital euro

In 2022, digitization continued to be a priority for European authorities, which have continued to make progress in implementing the digital strategy laid down in 2020. The key pillars of the initiative are strengthening the use of data and the development and regulation of artificial intelligence. In relation to the first point, in 2022 the European Commission published a proposal for a regulation on harmonized rules for fair access and use of data (a 'Data Act'). The aim is to ensure fairness in the allocation of value arising from the use of data among the different actors in the data economy and to promote access to and use of data. To this end, new rights are established in the proposed regulation for individuals and companies to access and share data generated in the use of connected objects. In addition, the proposed statute sets down some general conditions that will also apply to data-sharing obligations in future regulations. The draft regulation further includes other measures related to making it easier for users to switch cloud service providers.

In 2022, the EU continued its negotiation of legislative initiatives launched in 2021, such as the Artificial Intelligence Regulation or the amendment of the electronic identification and trust services for electronic transactions in the internal market (eIDAS) Regulation, which provided for the creation of digital identity wallets.

Regarding international data exchange, in 2020 the Court of Justice of the European Union invalidated the previous agreement ('Privacy Shield'), which allowed transfers of personal data between the EU and the United States. A preliminary agreement between the EU and the United States on a new framework for transatlantic data flows was reached in 2022.

[43] The EU Regulation 600/2014 on financial instrument markets regulates pre- and post-trade transparency in relation to competent authorities and investors, the requirements and obligations of data service providers, establishes the obligation to trade derivatives in trading venues and certain supervisory actions.

[44] The Directive 2014/65/EU on markets in financial instruments, based on the improvement of the rules already adopted by MiFID, regulates the conditions of authorization and operation of Investment Services Companies (ISC), including the freedom of establishment and provision of services in the EU, as well as the activity of the companies from third countries; the conditions of authorization and operation of the regulated markets; the limitation of the positions and controls of the management of positions in derivatives on raw materials; the rules of conduct and investor protection to be followed by the ISCs; data provision services, and organizational and conduct requirements for market participants with the aim of improving investor protection.

This year, the entry of large digital platforms or 'Big Tech' into the financial sector continued to be a subject of debate for financial authorities around the world. At the global level, the BIS led a discussion on the need to introduce comprehensive regulation for these new providers and to strengthen coordination between authorities across sectors and countries. At the European level, the European Supervisory Authorities issued a report with recommendations to the Commission on how to approach the review of the regulatory and supervisory framework for the financial sector to ensure that it complies with the "same activity, same risk, same regulation" principle. For instance, it is recommended to review prudential consolidation requirements and consider the need for additional supervisory structures to ensure effective regulation and supervision of the new providers, which constitute mixed activity groups.

In 2022, the new European Digital Markets Act (DMA) was introduced. The statute establishes obligations for Big Tech platforms to prevent unfair or anti-competitive practices. Among other obligations, Big Tech must allow access and interoperability with software or hardware functions and provide effective portability of data generated by users.

In relation to the regulation of open banking or open finance, in Colombia the Unidad de Regulación Financiera has proposed new rules that will allow the implementation of a broad framework for the sharing of financial data, to be adopted on a voluntary basis. The regulator's work will focus on establishing security standards and requirements and setting the responsibilities of the actors.

At the European level, during 2022 the Commission held several consultations on the future open finance framework, for which a legislative proposal is expected in 2023.

The year 2022 has also been significant for the payments sector. The retail payments strategy published by the European Commission in 2020 aims to promote instant payments. To this end, the Commission proposed in October a new regulation that will allow users to initiate instant transfers from the same interfaces at the same cost as standard transfers. The Commission also consulted in 2022 on the future modification of the PSD2 payment services directive, which is expected in 2023.

Another area that attracted great attention from international bodies and national regulators in 2022 was that of crypto-assets. At the global level, the Basel Committee on Banking Supervision published in December the final standard on the prudential treatment of banks' exposures to cryptoassets. These were classified into two groups, with a specific regulatory treatment for each of them. In addition, a limit is imposed on the holding of certain cryptoassets. The FSB has proposed a framework for international regulation of cryptoasset activities, with broad recommendations for the regulation, supervision and oversight of their activities and markets and a review of the high-level recommendations specific to "global stablecoins". The objective is to address the associated financial stability risks more effectively.

At the European level, co-legislators reached a policy agreement on the regulation of cryptoassets (MiCA) on June 30, 2022. The final text is now in the process of being formally approved and will start to be implemented in 2024. The discussion covers the issuance of previously unregulated cryptoassets, in particular stablecoins, and the provision of cryptoasset-related services (e.g., custody or exchange).

As progress is made on the regulation of private virtual assets, central banks have intensified their analysis of central bank digital currencies (CBDCs). The European Central Bank initiated in October 2021 a two-year research program on a potential "digital euro", a CBDC for retail payments. In 2022, the ECB published a report confirming the first design options for the digital euro. The report covers the use cases the digital currency will need to satisfy, transfer mechanisms, online/offline availability, privacy, and tools to limit individual holdings of digital euros.

In parallel, the Commission conducted a consultation on the digital euro this year. It will present a legislative proposal in the second quarter of 2023 that will serve as the legal basis for the ECB's project.

Finally, a milestone this year in the world of cybersecurity in Europe has been the consensus among co-legislators on the text of the future Digital Operational Resilience Act (DORA). The statute will establish comprehensive control of providers, as well as a review of their risks, while setting the basis for the exchange of information related to cyber threats.

3.1.3 Results

The BBVA Group generated a net attributable profit excluding non-recurring impacts of €6,621m in the year 2022, which represents an increase of 30.6% compared to the previous year, and the highest result ever. Including the non-recurring impacts, i.e. the net impact for an amount of €-201m from the purchase of offices in Spain from Merlin in June 2022 and €-416m from the results of discontinued operations corresponding to BBVA USA and the rest of the companies sold to PNC on June 1, 2021, together with the net cost related to the restructuring process of the same year, the net attributable profit increased by 38.0% in year-on-year terms to €6,420m.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2022				2021			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**5,342**	**5,261**	**4,602**	**3,949**	**3,978**	**3,753**	**3,504**	**3,451**
Net fees and commissions	1,323	1,380	1,409	1,242	1,247	1,203	1,182	1,133
Net trading income	269	573	516	580	438	387	503	581
Other operating income and expenses	(410)	(358)	(432)	(355)	(187)	(13)	(85)	(11)
Gross income	**6,524**	**6,857**	**6,094**	**5,416**	**5,477**	**5,330**	**5,104**	**5,155**
Operating expenses	(2,889)	(2,818)	(2,630)	(2,424)	(2,554)	(2,378)	(2,294)	(2,304)
Personnel expenses	*(1,550)*	*(1,475)*	*(1,346)*	*(1,241)*	*(1,399)*	*(1,276)*	*(1,187)*	*(1,184)*
Other administrative expenses	*(1,001)*	*(1,005)*	*(944)*	*(870)*	*(850)*	*(788)*	*(800)*	*(812)*
Depreciation	*(338)*	*(338)*	*(340)*	*(313)*	*(305)*	*(314)*	*(307)*	*(309)*
Operating income	**3,636**	**4,038**	**3,464**	**2,992**	**2,923**	**2,953**	**2,810**	**2,850**
Impairment on financial assets not measured at fair value through profit or loss	(998)	(940)	(704)	(737)	(832)	(622)	(656)	(923)
Provisions or reversal of provisions	(50)	(129)	(64)	(48)	(40)	(50)	(23)	(151)
Other gains (losses)	(6)	19	(3)	20	7	19	(7)	(17)
Profit (loss) before tax	**2,581**	**2,988**	**2,694**	**2,227**	**2,058**	**2,299**	**2,124**	**1,759**
Income tax	(856)	(1,004)	(697)	(904)	(487)	(640)	(591)	(489)
Profit (loss) for the period	**1,724**	**1,984**	**1,997**	**1,324**	**1,571**	**1,659**	**1,533**	**1,270**
Non-controlling interests	(147)	(143)	(120)	3	(230)	(259)	(239)	(237)
Net attributable profit (loss) excluding non-recurring impacts	**1,578**	**1,841**	**1,877**	**1,326**	**1,341**	**1,400**	**1,294**	**1,033**
Discontinued operations and Other [1]	—	—	(201)	—	—	—	(593)	177
Net attributable profit (loss)	**1,578**	**1,841**	**1,675**	**1,326**	**1,341**	**1,400**	**701**	**1,210**
Adjusted earning per share (euros) [2]	**0.25**	**0.29**	**0.30**	**0.21**	**0.19**	**0.20**	**0.18**	**0.14**
Earning (loss) per share (euros) [2]	**0.24**	**0.28**	**0.25**	**0.19**	**0.20**	**0.20**	**0.09**	**0.17**

(1) Include: (I) the net impact arisen from the purchase of offices in Spain in 2022 for €-201m; (II) the net costs related to the restructuring process in 2021 for €-696m; and (III) the profit (loss) generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 for €+280m.

(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	2022	Δ %	Δ % at constant exchange rates	2021
Net interest income	**19,153**	**30.4**	**35.8**	**14,686**
Net fees and commissions	5,353	12.3	15.3	4,765
Net trading income	1,938	1.5	9.4	1,910
Other operating income and expenses	(1,555)	n.s.	n.s.	(295)
Gross income	**24,890**	**18.2**	**22.9**	**21,066**
Operating expenses	(10,760)	12.9	15.5	(9,530)
Personnel expenses	*(5,612)*	*11.2*	*14.8*	*(5,046)*
Other administrative expenses	*(3,820)*	*17.6*	*19.1*	*(3,249)*
Depreciation	*(1,328)*	*7.6*	*8.4*	*(1,234)*
Operating income	**14,130**	**22.5**	**29.2**	**11,536**
Impairment on financial assets not measured at fair value through profit or loss	(3,379)	11.4	12.9	(3,034)
Provisions or reversal of provisions	(291)	10.2	7.5	(264)
Other gains (losses)	30	n.s.	n.s.	2
Profit (loss) before tax	**10,490**	**27.3**	**36.7**	**8,240**
Income tax	(3,462)	56.9	66.0	(2,207)
Profit (loss) for the period	**7,028**	**16.5**	**25.7**	**6,034**
Non-controlling interests	(407)	(57.8)	(30.3)	(965)
Net attributable profit (loss) excluding non-recurring impacts	**6,621**	**30.6**	**32.3**	**5,069**
Discontinued operations and Other [(1)]	(201)	(51.6)	(47.7)	(416)
Net attributable profit (loss)	**6,420**	**38.0**	**39.0**	**4,653**
Adjusted earning per share (euros) [(2)]	**1.05**			**0.71**
Earning (loss) per share (euros) [(2)]	**0.99**			**0.67**

(1) Include: (I) the net impact arisen from the purchase of offices in Spain in 2022 for €-201m; (II) the net costs related to the restructuring process in 2021 for €-696m; and (III) the profit (loss) generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 for €+280m.

(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

The result attributed to the Group in the year 2022 includes the application to the Group's entities in Turkey of IAS 29, "Financial Reporting in Hyperinflationary Economies".[45]

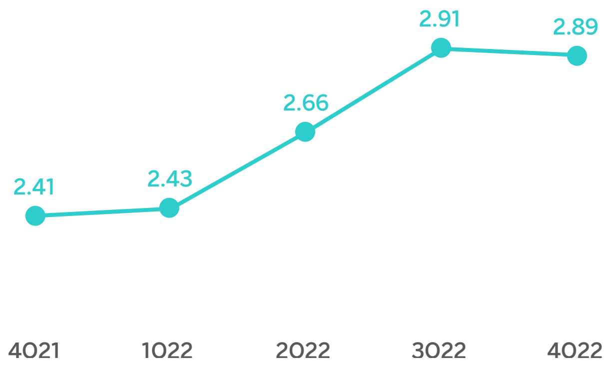
Unless expressly indicated otherwise, to better understand the changes under the main headings of the Group's income statement, the year-on-year rates of change provided below refer to constant exchange rates. When comparing two dates or periods in this report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. For this purpose, the average exchange rate of the currency of each geographical area of the most recent period is used for both periods, except for those countries whose economies have been considered hyperinflationary, for which the closing exchange rate of the most recent period is used.

The accumulated net interest income as of December 31, 2022 was higher than the previous year (+35.8%), with increase in all business areas due to the improvement in customer spread and higher managed loan portfolio volumes. Particularly noteworthy was the good evolution in Mexico -especially- and, to a lesser extent, in South America and Turkey.

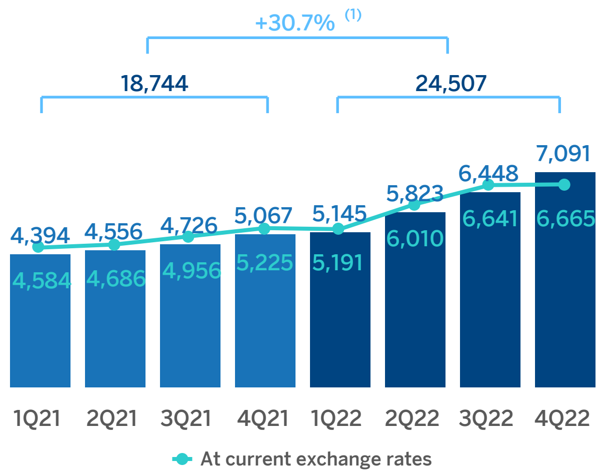
Positive evolution in the net fees and commissions line, which increased by 15.3% in the year due to favorable performance in payment systems and demand deposits.

[45] IAS 29 has not been applied to operations outside Turkey, in particular to the financial statements of Garanti Bank in Romania and Garanti Bank International N.V. in the Netherlands.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE)



NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

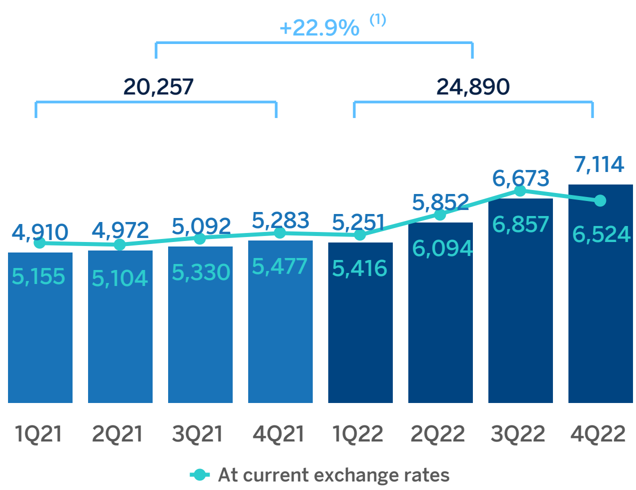


(1) At current exchange rates: +20.8%.

NTI recorded a year-on-year variation of +9.4% at the end of December 2022, with a positive trend in Turkey, South America, Spain and Mexico, which offset the lower results recorded in the Corporate Center due to the negative contribution of the foreign exchange hedging.

The other operating income and expenses line accumulated a result of €-1,555m as of December 31, 2022, compared to €-295m in the previous year, mainly due to the more negative adjustment for inflation in Argentina, the recording of this adjustment in the Group's entities in Turkey in 2022 and BBVA's higher contribution to the public deposit guarantee schemes, mainly in Spain.

GROSS INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

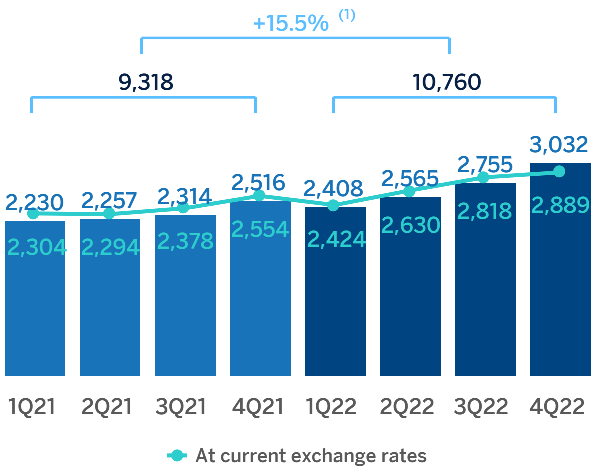


(1) At current exchange rates: +18.2%.

Year-on-year terms operating expenses increased at a pace of 15.5% at the Group level, below the average inflation rate in all countries in which BBVA operates. By areas, only Spain registered a year-on-year decrease as a result of the restructuring process in 2021.

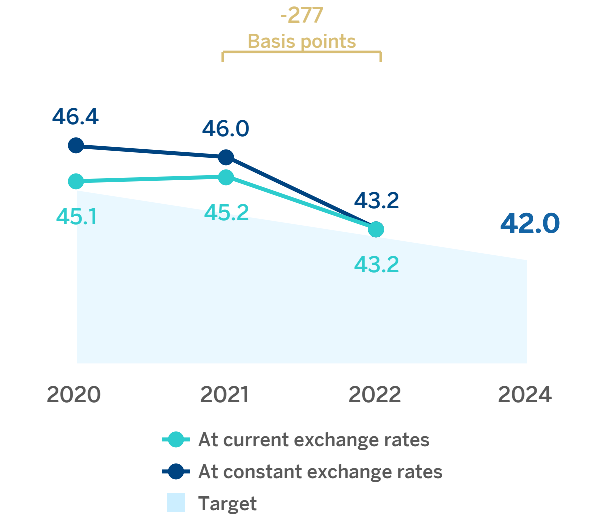
Notwithstanding the above, thanks to the remarkable growth in gross income (+22.9%), the efficiency ratio stood at 43.2% as of December 31, 2022, with an improvement of 277 basis points compared to the ratio recorded 12 months earlier. By areas, Spain, Mexico and, to a lesser extent, South America recorded a favorable performance in terms of efficiency.

OPERATING EXPENSES (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



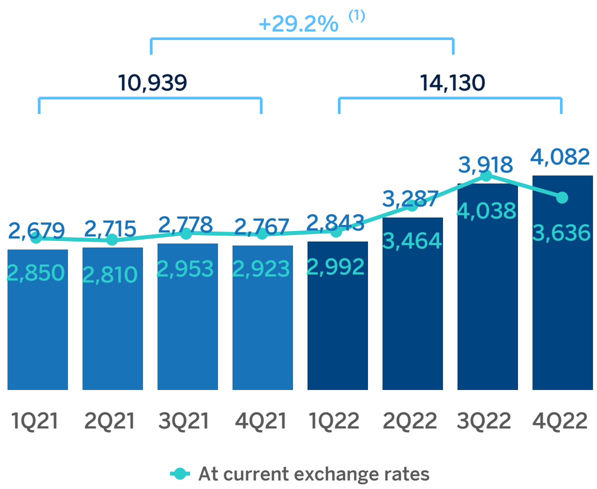
(1) At current exchange rates: +12.9%.

EFFICIENCY RATIO (PERCENTAGE)



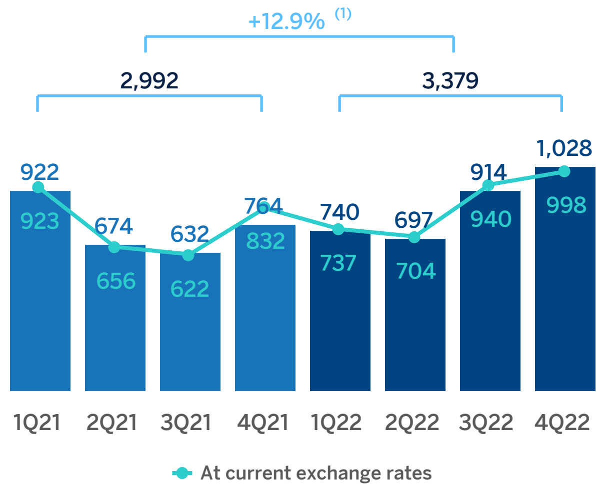
Impairment on financial assets not measured at fair value through profit or loss (impairment on financial assets) was 12.9% higher at the end of December 2022 than in the previous year, with higher credit impairments especially in South America and Turkey.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +22.5%.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +11.4%.

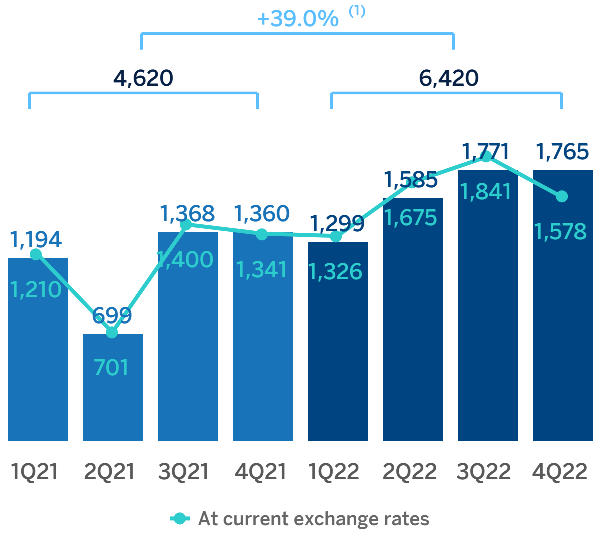
The provisions or reversal of provisions line (hereinafter, provisions) accumulated a negative balance of €291m as of December 31, 2022, 7.5% above the accumulated figure in the previous year mainly due to provisions for risks and contingent commitments in Turkey.

For its part, the other gains (losses) line closed December 2022 with a balance of €30m, which compares positively to the figure reached the previous year (€2m), mainly in Spain and Turkey.

As a result of the above, the BBVA Group generated a net attributable profit, excluding non-recurring impacts, of €6,621m in the year 2022, representing a year-on-year increase of +32.3%. Taking into account the non-recurring impacts, registered within the line "Discontinued operations and Other," that is: (I) €-201m recorded in the second quarter of 2022 for the purchase of offices in Spain; (II) €+280m for the results generated by BBVA USA and the rest of the companies sold to PNC on June 1, 2021; and (III) €-696m of the net costs associated with the restructuring process recorded in the second quarter of 2021, the cumulative net attributable profit of the Group at the end of December 2022 stood at €6,420m, 39.0% higher than that achieved in the year 2021.

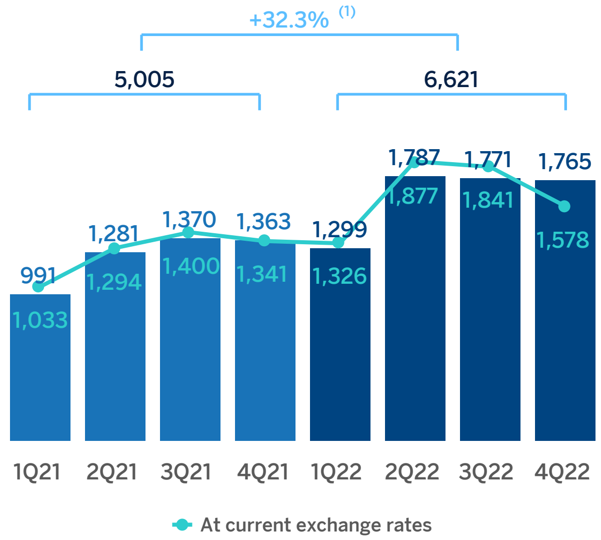
The cumulative net attributable profits, in millions of euros, at the end of December 2022 for the business areas that compose the Group were as follows: €1,678m in Spain, €4,182m in Mexico, €509m in Turkey, €734m in South America and €240m in Rest of Business.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +38.0%.

NET ATTRIBUTABLE PROFIT (LOSS) EXCLUDING NON-RECURRING IMPACTS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

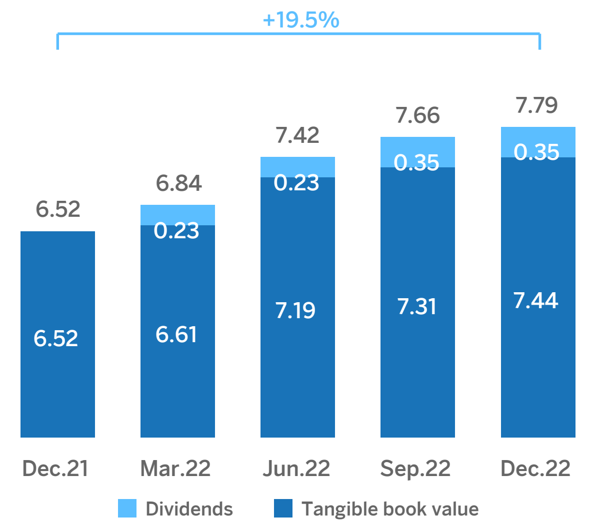


General note: non-recurring impacts include the net impact arisen from the purchase of offices in Spain in 2Q22, BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 for the periods 1Q21 and 2Q21 and the net cost related to the restructuring process in 2Q21.

(1) At current exchange rates: +30.6%.

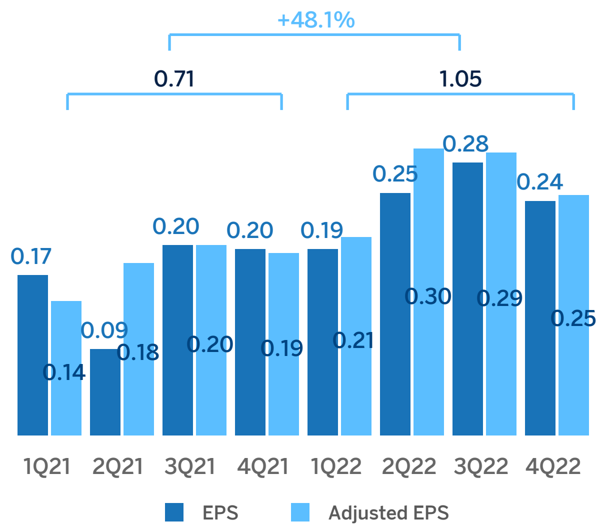
The Group's excellent performance in 2022 has also allowed it to accelerate value creation, as reflected in the growth of the tangible book value and dividends, which at year-end 2022 was 19.5% above the previous year.

TANGIBLE BOOK VALUE PER SHARE (1) AND DIVIDENDS (EUROS)



General note: replenishing dividends paid in the period.

ADJUSTED EARNING PER SHARE (2) AND EARNING PER SHARE (2) (EUROS)



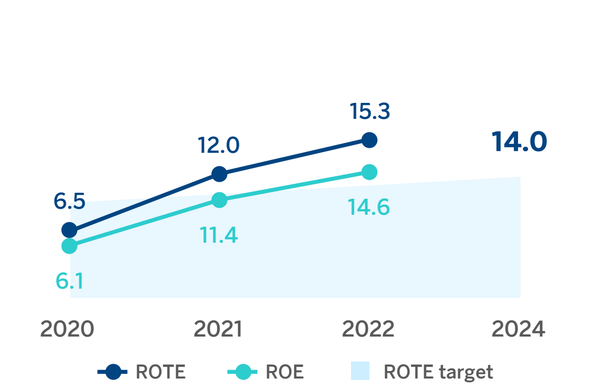
General note: adjusted earning per share excludes: (I) the net impact arisen from the purchase of offices in Spain in 2Q22; (II) the net cost related to the restructuring process for the period 2Q21; and (III) the profit (loss) after tax from discontinued operations derived from the sale of BBVA USA and the rest of the companies in the United States to PNC on June 1, 2021 for the periods 1Q21 and 2Q21.

(1) For more information, see Alternative Performance Measures at the end of this report.

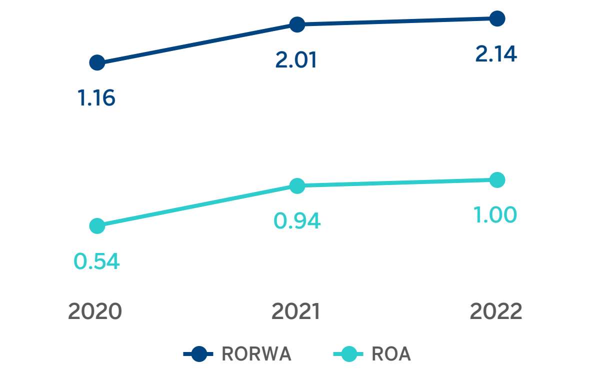
(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

The Group's profitability indicators improved in year-on-year terms, supported by the favorable performance of results.

ROE AND ROTE (1) (PERCENTAGE)



ROA AND RORWA (1) (PERCENTAGE)



(1) Excludes the net impact arisen from the purchase of offices in Spain in 2022, the net cost related to the restructuring process in 2021, the net capital gains from the bancassurance transaction with Allianz in 2020, and the resuls generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 for the periods 2021 and 2020.

3.1.4 Balance sheet and business activity

The most relevant aspects related to the evolution of the Group's balance sheet and business activity as of December 31, 2022 are summarized below:

- Loans and advances to customers grew by 12.3% compared to the end of December 2021, strongly favored by the evolution of business loans (+18.8%) in all business areas and, to a lesser extent, by the performance of retail loans (+7.5% at Group level), in particular, in Mexico and Turkey, supported by the good performance of consumer loans as well as credit cards (+21.7% overall at Group level) and, to a lesser extent, mortgage loans (+0.8% at Group level) due to the positive evolution in Mexico.
- Customer funds increased by 9.5% compared to the end of December 2021, thanks to the good performance of customer deposits, which increased in all geographical areas, with increase in both demand deposits and time deposits. For its part, off-balance sheet funds increased by 2.0% in the year 2022, with the most notable growth in mutual funds in Mexico and Turkey.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

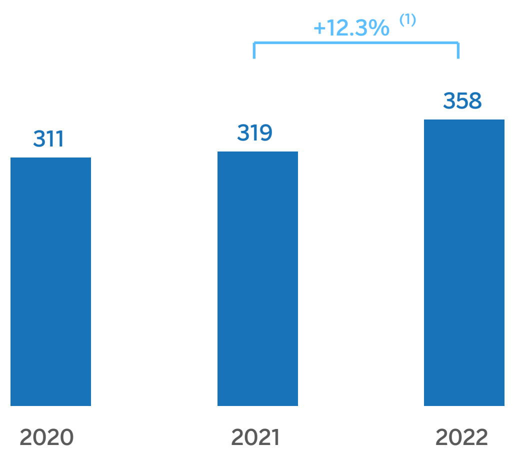
	31-12-22	Δ %	31-12-21
Cash, cash balances at central banks and other demand deposits	79,756	17.6	67,799
Financial assets held for trading	110,671	(10.4)	123,493
Non-trading financial assets mandatorily at fair value through profit or loss	6,888	13.2	6,086
Financial assets designated at fair value through profit or loss	913	(16.4)	1,092
Financial assets at fair value through accumulated other comprehensive income	58,980	(2.4)	60,421
Financial assets at amortized cost	422,061	13.3	372,676
Loans and advances to central banks and credit institutions	*20,431*	*7.8*	*18,957*
Loans and advances to customers	*358,023*	*12.3*	*318,939*
Debt securities	*43,606*	*25.4*	*34,781*
Investments in subsidiaries, joint ventures and associates	916	1.7	900
Tangible assets	8,737	19.7	7,298
Intangible assets	2,156	(1.9)	2,197
Other assets	22,062	5.4	20,923
Total assets	**713,140**	**7.6**	**662,885**
Financial liabilities held for trading	95,611	4.9	91,135
Other financial liabilities designated at fair value through profit or loss	10,580	9.3	9,683
Financial liabilities at amortized cost	528,629	8.3	487,893
Deposits from central banks and credit institutions	*65,258*	*(2.9)*	*67,185*
Deposits from customers	*393,856*	*12.6*	*349,761*
Debt certificates	*55,429*	*(0.6)*	*55,763*
Other financial liabilities	*14,086*	*(7.2)*	*15,183*
Liabilities under insurance and reinsurance contracts	11,848	9.0	10,865
Other liabilities	15,858	9.0	14,549
Total liabilities	**662,526**	**7.9**	**614,125**
Non-controlling interests	3,624	(25.3)	4,853
Accumulated other comprehensive income	(17,432)	5.8	(16,476)
Shareholders' funds	64,422	6.7	60,383
Total equity	**50,615**	**3.8**	**48,760**
Total liabilities and equity	**713,140**	**7.6**	**662,885**
Memorandum item:			
Guarantees given	55,182	20.1	45,956

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	31-12-22	Δ %	31-12-21
Public sector	**20,884**	**6.2**	**19,656**
Individuals	**157,432**	**7.5**	**146,433**
Mortgages	*92,064*	*0.8*	*91,324*
Consumer	*36,116*	*16.4*	*31,026*
Credit cards	*17,382*	*34.4*	*12,936*
Other loans	*11,870*	*6.5*	*11,146*
Business	**177,451**	**18.8**	**149,309**
Non-performing loans	**13,493**	**(7.9)**	**14,657**
Loans and advances to customers (gross)	**369,260**	**11.9**	**330,055**
Allowances (1)	(11,237)	1.1	(11,116)
Loans and advances to customers	**358,023**	**12.3**	**318,939**

(1) Allowances include valuation adjustments for credit risk throughout the expected residual life in those financial instruments that have been acquired (mainly originating from the acquisition of Catalunya Banc, S.A.). As of December 31, 2022 and December 31, 2021, the remaining amount was €190m and €266m, respectively.

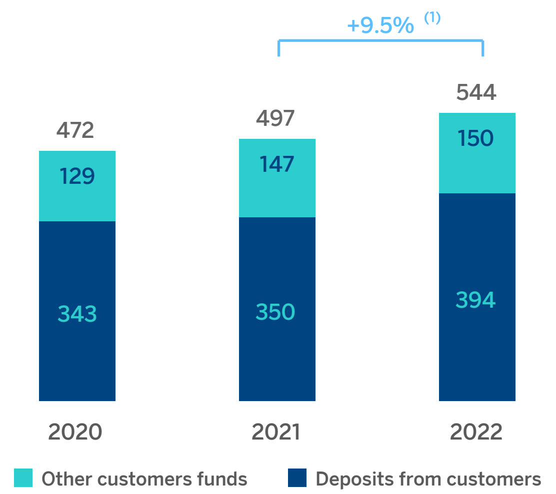
LOANS AND ADVANCES TO CUSTOMERS (BILLIONS OF EUROS)



General Note: 2020 excludes BBVA USA and the rest of companies in the United States sold to PNC on June 1, 2021 and BBVA Paraguay.

(1) At constant exchange rates: +12.8%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



General Note: 2020 excludes BBVA USA and the rest of companies in the United States sold to PNC on June 1, 2021 and BBVA Paraguay.

(1) At constant exchange rates: +9.7%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	31-12-22	Δ %	31-12-21
Deposits from customers	**393,856**	**12.6**	**349,761**
Current accounts	*316,082*	*7.9*	*293,015*
Time deposits	*75,098*	*36.4*	*55,059*
Other deposits	*2,676*	*58.6*	*1,687*
Other customer funds	**150,172**	**2.0**	**147,192**
Mutual funds and investment companies and customer portfolios (1)	*108,936*	*2.5*	*106,235*
Pension funds	*38,653*	*(0.3)*	*38,763*
Other off-balance sheet funds	*2,582*	*17.7*	*2,195*
Total customer funds	**544,028**	**9.5**	**496,954**

(1) Includes the customer portfolios in Spain, Mexico, Colombia and Peru.

3.1.5 Solvency

Capital base

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 fully-loaded ratios include the effect of the corporate transactions carried out during the year, with a combined impact of -38 basis points of CET1. These operations 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 Note 3 and 17). In addition, these ratios include the positive impact of the partial reversion of the share buyback program, as well as the offsetting in equity of the effects of hyperinflation on earnings. Excluding these impacts during the year, the organic generation of profits, 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 market evolution as well as the supervisory effects.

Fully-loaded risk-weighted assets (RWAs) increased by approximately €30,000 million, mainly as a result of organic generation and the supervisory effects abovementioned.

The fully-loaded 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.

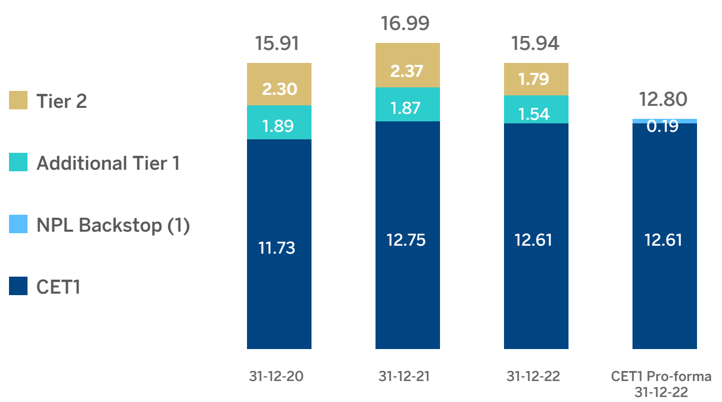
The fully-loaded Tier 2 ratio stood at 1.79%, which represents a reduction of -58 basis points compared to December 31, 2021, mainly explained by the RWA growth during the year as well as the reduction in the computability of provisions from internal credit models. The phased-in Tier 2 ratio stood at 1.76%. The difference with the fully-loaded Tier 2 ratio relates mainly to the transitional treatment of certain subordinated issuances.

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 to place it at 12.80% proforma.

As result of the above, the total fully-loaded capital ratio stood at 15.94% as of December 31, 2022, and the total phased-in ratio stood at 15.98%.

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



(1) Includes the reversal of the NPL Backstop.

CAPITAL BASE (MILLIONS OF EUROS)	CRD IV phased-in			CRD IV fully-loaded		
	31-12-22 (1) (2)	31-12-21	31-12-20	31-12-22 (1) (2)	31-12-21	31-12-20
Common Equity Tier 1 (CET 1)	42,740	39,949	42,931	42,486	39,184	41,345
Tier 1	47,933	45,686	49,597	47,678	44,922	48,012
Tier 2	5,930	7,383	8,547	6,023	7,283	8,101
Total Capital (Tier 1 + Tier 2)	**53,863**	**53,069**	**58,145**	**53,701**	**52,205**	**56,112**
Risk-weighted assets	**337,102**	**307,795**	**353,273**	**336,920**	**307,335**	**352,622**
CET1 (%)	12.68	12.98	12.15	12.61	12.75	11.73
Tier 1 (%)	14.22	14.84	14.04	14.15	14.62	13.62
Tier 2 (%)	1.76	2.40	2.42	1.79	2.37	2.30
Total capital ratio (%)	**15.98**	**17.24**	**16.46**	**15.94**	**16.99**	**15.91**

(1) As of December 31, 2022, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873).

(2) Preliminary data.

Regarding 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 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.

With the aim of reinforcing compliance with these requirements, BBVA has made some debt issues during 2022. For more information about these issues, see "Structural risks" section within the "4. Risk management" chapter.

In November 2015 (with effect from 1 January 2017) BBVA ceased to be part of the list of Global Systemically Important Banks (G-SIBs). This list is drawn up annually by the Financial Stability Board (FSB) on the basis of a set of quantitative indicators which are available, together with the assessment methodology, at www.bis.org/bcbs/gsib/. In November 2021, BBVA, at consolidated level, was again identified as an Other Systemically Important Institution (hereinafter referred to as O-SII) by the Bank of Spain, which imposes on BBVA the obligation to maintain Common Equity Tier 1 items as a buffer for O-SII for an amount equal to 0,75% of the total amount of its risk exposure on a consolidated basis. After the update of the list of institutions in November 2022, BBVA remains identified as O-SII. Similarly, following the mandatory annual review in July 2022 of the designations of the so-called O-SIIs, the Bank of Spain continues to require BBVA to maintain a capital buffer of 0.75% in 2023.

Lastly, as of December 31, 2022, the Group's fully-loaded leverage ratio stood at 6.5% (6,5% phased-in)[46].

Ratings

During the year 2022, BBVA's rating has continued to show its strength and all agencies have maintained their rating in the A category. In March, S&P changed the outlook of BBVA's rating from negative to stable (affirming the rating at A), after taking a similar action in the Spanish sovereign rating. Following the periodic reviews of BBVA, Fitch and DBRS Morningstar affirmed their ratings at A- (May and December) and A (high) (March), respectively, both with a stable outlook. For its part, Moody's has kept BBVA's rating unchanged in the period at A3 (with a stable outlook). The following table shows the credit ratings and outlook assigned by the agencies:

RATINGS

Rating agency	Long term (1)	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's	A3	P-2	Stable
Standard & Poor's	A	A-1	Stable

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A- rating, respectively, to BBVA's long term deposits.

46 The Group's leverage ratio is provisional at the date of release of this report. On April, 1st 2022 ended the period of temporary exclusion of certain positions with central banks.

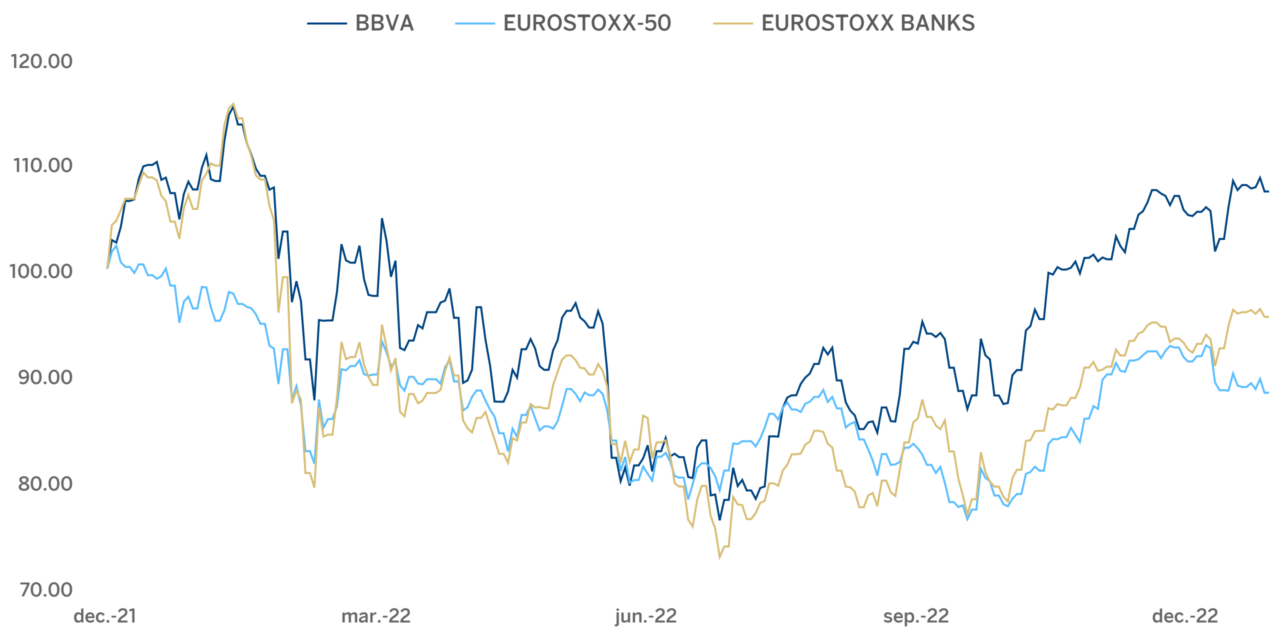
3.1.6 The BBVA share

The main stock market indexes showed a positive performance in 2022. In Europe, the Stoxx Europe 600 index decreased by 12.9% compared to the end of December of the previous year, and in Spain the Ibex 35 declined by 5.6% in the same period, showing a worse relative performance. In the United States, the S&P 500 index also decreased by 19.4%.

With regard to the banking sector indexes, their performance in 2022 was better than the general indexes in Europe. The Stoxx Europe 600 Banks index, which includes the banks in the United Kingdom, and the Euro Stoxx Banks, an index of Eurozone banks, decreased by 3.2% and 4.6% respectively, meanwhile in The United States, the S&P Regional Banks sectoral index decreased by 17.0% in the period.

For its part, the BBVA share price increased by 7.3% in the year,above its sector index, closing December 2022 at €5.63.

BBVA SHARE EVOLUTION COMPARED WITH EUROPEAN INDEXES (Base index 100=31-12-21)



The BBVA share and share performance ratios

THE BBVA SHARE AND SHARE PERFORMANCE RATIOS

	31-12-22	31-12-21
Number of shareholders	826,835	879,226
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	22,901,565	34,180,978
Daily average trading (millions of euros)	118	108
Maximum price (euros)	6.29	5.34
Minimum price (euros)	3.74	2.13
Closing price (euros)	5.25	4.04
Book value per share (euros) (1)	6.86	6.70
Tangible book value per share (euros) (1)	6.52	6.05
Market capitalization (millions of euros)	35,006	26,905
Yield (dividend/price; %) (2)	2.6	4.0

(1) Considering 112 million shares acquired within the share buyback program between November 22 and December 31 of 2021 and the estimated shares pending from buyback program as of December 31, 2021 of the first tranche approved by the Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021.

(2) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

SHAREHOLDER STRUCTURE (31-12-22)

	Shareholders		Shares issued	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	330,991	41.3	61,765,540	1.0
501 to 5,000	367,730	45.9	653,340,057	10.8
5,001 to 10,000	55,066	6.9	387,127,400	6.4
10,001 to 50,000	42,731	5.3	815,962,950	13.5
50,001 to 100,000	3,014	0.4	205,137,227	3.4
100,001 to 500,000	1,401	0.2	251,980,588	4.2
More than 500,001	283	0.0	3,654,802,802	60.6
Total	**801,216**	**100.0**	**6,030,116,564**	**100.0**

Share buyback program

Regarding the share buyback program started by the Entity in 2021, on August 19, 2022 BBVA announced the end of the execution of its share buyback program once the maximum number of shares established in the terms and conditions announced on November 19, 2021 had been reached. Thus, the Bank has successfully concluded its share buyback program, having acquired a total of 637,770,016 shares, for an amount of €3,160m.

The share buyback program highlights are summarized below. For more information, see Note 4 "Shareholder remuneration system" of the attached Consolidated Financial Statements.

EXECUTION OF THE PROGRAM FOR THE BUYBACK OF SHARES

Tranche	**Segment**	**Completion date**	**Number of shares**	**% of share capital***	**Disbursement**
First tranche		March 3	281,218,710	4.2	1,500
Second tranche	First segment	May 16	206,554,498	3.1	1,000
	Second segment	August 19	149,996,808	2.3	660
Total			**637,770,016**	**9.6**	**3,160**

*As of the date of tranche closure.

REDEMPTION OF SHARES

Tranche	**Date**	**Number of redeemed shares**
First tranche	June 15	281,218,710
Second tranche	September 30	356,551,306
Total		**637,770,016**

Stock market indexes

BBVA's shares are included in the main stock market indexes, among them the Euro Stoxx 50, to which BBVA returned on September 20, only one year after its exit, due to the good performance of the share. This milestone -exit and re-enter the following year- has not been achieved by any company at least in the last decade. In addition to these indexes, BBVA is part of the main sustainability indexes, such as the Dow Jones Sustainability Index (DJSI), the FTSE4Good and the MSCI ESG indexes. For more information on this subject, please refer to the "Sustainability indexes and ratings" section of this report.

At the closing of December 2022, the weighting of BBVA shares in the Ibex 35, Euro Stoxx 50 and the Stoxx Europe 600 index, were 7.75%, 1,20% and 0.37%, respectively. They are also included in several sector indexes, including Stoxx Europe 600 Banks, which includes the United Kingdom, with a weighting of 4.52% and the Euro Stoxx Banks index for the eurozone with a weighting of 7.87%.

3.2. Business areas

This section presents the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statements and balance sheets, the business activity figures and the most significant ratios.

The structure of the business areas reported by the BBVA Group as of December 31, 2022, is identical with the one presented at the end of 2021.

The composition of BBVA Group's business areas is summarized below:

- Spain mainly includes the banking, insurance and asset management activities that the Group carries out in this country, including the proportional share of the results of the company arisen from the bancassurance agreement reached with Allianz at the end of 2020.
- Mexico includes banking, insurance and asset management activities in this country, as well as the activity that BBVA Mexico carries out through its agency in Houston.
- Turkey reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

  With regard to this business area, after the end on May 18, 2022, of the acceptance period of the voluntary takeover bid, submitted by the BBVA Group for the entire share capital of Garanti BBVA not already owned, the Group's stake increased to 85.97% from the 49.85% to the voluntary takeover bid.
- South America includes banking, financial, insurance and asset management activities conducted, mainly, in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
- Rest of Business mainly incorporates the wholesale activity carried out in Europe (excluding Spain), the United States, and BBVA's branches in Asia

The Corporate Center contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; structural exchange rate positions management; portfolios whose management is not linked to customer relations, such as financial and industrial holdings; stakes in Funds & Investment Vehicles in tech companies; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets as well as such portfolios and assets' funding. Additionally, the results obtained by BBVA USA and the rest of the companies included in the sale agreement to PNC until the closing of the transaction on June 1, 2021, are presented in a single line of the income statements called "Profit (loss) after taxes from discontinued operations". Finally, the costs related to the BBVA, S.A. restructuring process carried out in Spain during the first half of the year 2021, are included in this aggregate and are recorded in the line "Net cost related to the restructuring process".

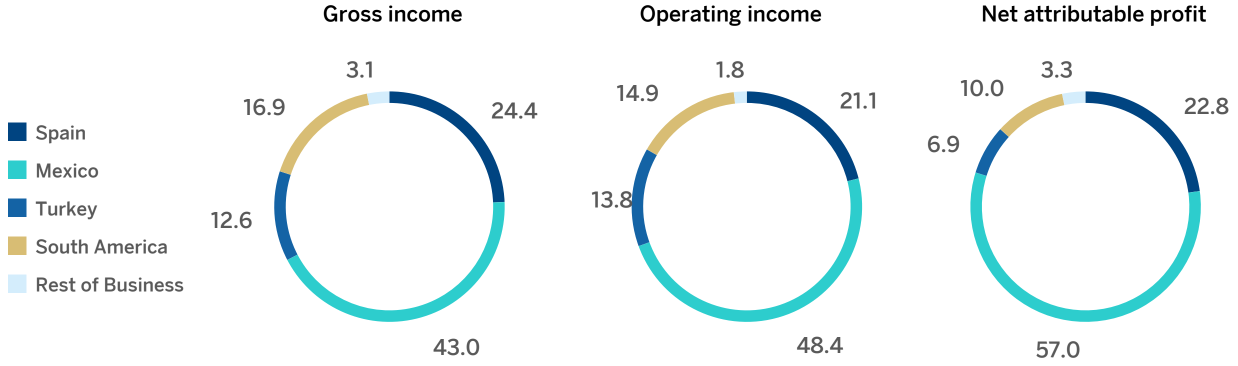
In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, Corporate & Investment Banking (CIB), in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due to the important features of the type of customers served, products offered and risks assumed.

The information by business areas is based on units at the lowest level and/or companies that make up the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity. With regard to the information of the business areas, in the first quarter of 2022 the Group changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas, therefore, to ensure that year-on-year comparisons are homogeneous, the figures corresponding to the financial year 2021 have been restated, which did not affect the consolidated financial information of the Group. Also in the first quarter of 2022, an equity team from the Global Markets unit was transferred from Spain to New York, with the corresponding transfer of the costs associated with this relocation from the Spain area to the Rest of Business area.

Regarding the shareholders' funds allocation, in the business areas, a capital allocation system based on the consumed regulatory capital is used.

Finally, it should be noted that, as usual, in the case of the different business areas, that is, Mexico, Turkey, South America and Rest of Business, and, additionally, CIB, in addition to the year-on-year variations applying current exchange rates, the variations at constant exchange rates are also disclosed.

GROSS INCOME [1], OPERATING INCOME [1] AND NET ATTRIBUTABLE PROFIT [1] BREAKDOWN (PERCENTAGE. 2022)



[1] Excludes the Corporate Center.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas						
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	Corporate Center
2022								
Net interest income	19,153	3,784	8,378	2,631	4,137	332	19,263	(109)
Gross income	24,890	6,145	10,839	3,185	4,261	790	25,219	(329)
Operating income	14,130	3,226	7,406	2,119	2,284	276	15,311	(1,181)
Profit (loss) before tax	10,490	2,625	5,690	1,644	1,429	277	11,665	(1,175)
Net attributable profit (loss) excluding non-recurring impacts (1)	6,621	1,879	4,182	509	734	240	7,544	(922)
Net attributable profit (loss)	6,420	1,678	4,182	509	734	240	7,342	(922)
2021 [2]								
Net interest income	14,686	3,501	5,836	2,370	2,859	283	14,849	(163)
Gross income	21,066	5,890	7,603	3,422	3,162	776	20,854	212
Operating income	11,536	2,847	4,921	2,412	1,639	323	12,143	(607)
Profit (loss) before tax	8,240	2,075	3,505	1,952	940	346	8,817	(577)
Net attributable profit (loss) excluding non-recurring impacts (1)	5,069	1,548	2,551	739	476	276	5,590	(522)
Net attributable profit (loss)	4,653	1,548	2,551	739	476	276	5,590	(938)

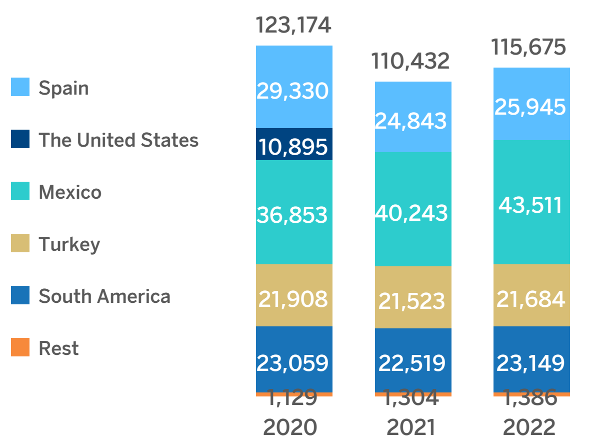
(1) Non-recurring impacts include: (I) the net impact arisen from the purchase of offices in Spain in 2022; (II) the net costs related to the restructuring process; and (III) the profit (loss) after tax from discontinued operations derived from the sale of BBVA USA and the rest of the companies in the United States to PNC on June 1, 2021.

(2) Restated balances.

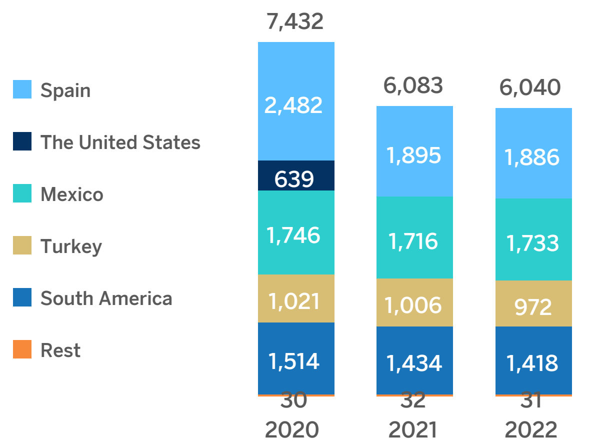
MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas							
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	Corporate Center	Deletions
31-12-22									
Loans and advances to customers	358,023	174,031	71,754	37,443	38,526	37,375	359,128	278	(1,383)
Deposits from customers	393,856	220,471	77,750	46,339	40,042	9,827	394,430	187	(760)
Off-balance sheet funds	150,172	86,759	38,196	6,936	17,760	520	150,170	2	—
Total assets/liabilities and equity	713,140	427,193	143,405	66,043	62,067	49,952	748,660	22,719	(58,239)
RWAs	337,102	114,474	71,738	56,275	46,834	35,064	324,385	12,718	—
31-12-21									
Loans and advances to customers	318,939	171,081	55,809	31,414	34,608	26,965	319,877	1,006	(1,945)
Deposits from customers	349,761	206,663	64,003	38,341	36,340	6,266	351,613	175	(2,027)
Off-balance sheet funds	147,192	94,095	32,380	3,895	16,223	597	147,190	2	—
Total assets/liabilities and equity	662,885	413,430	118,106	56,245	56,124	40,328	684,233	30,835	(52,182)
RWAs	307,795	113,797	64,573	49,718	43,334	29,280	300,703	7,092	—

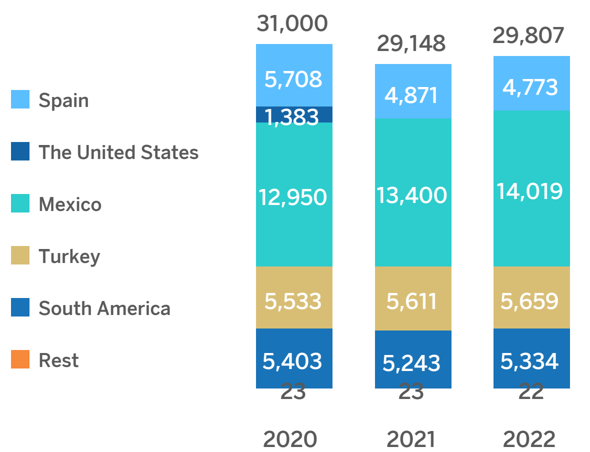
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

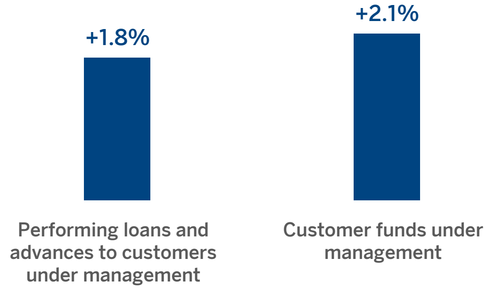


3.2.1 Spain

Highlights

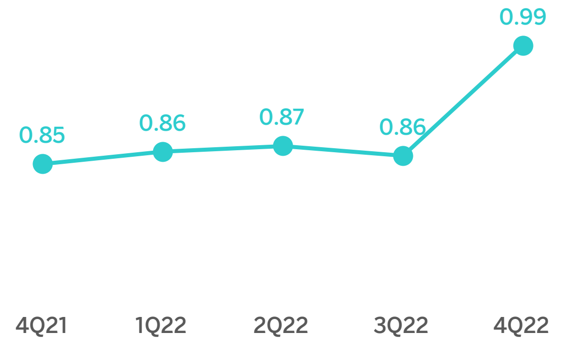
- **Lending growth in the most profitable segments in 2022**
- **Double-digit operating income growth**
- **Significant improvement in efficiency in the year**
- **Solid risk indicators, with a reduction of both the non-performing loans balance and the NPL ratio in 2022**

BUSINESS ACTIVITY [(1)] (VARIATION COMPARED TO 31-12-21)

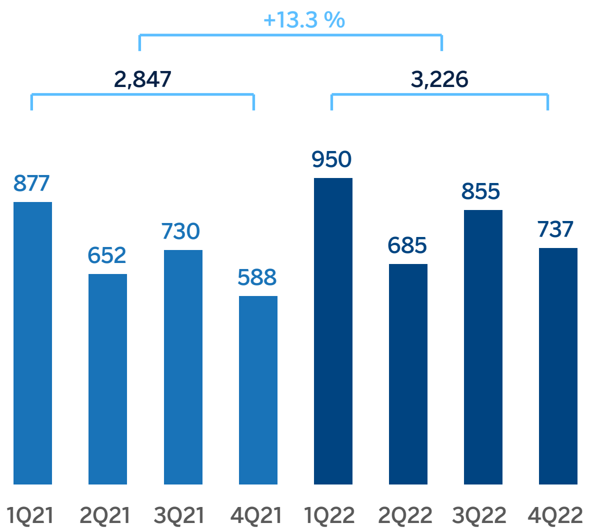


[(1)] Excluding repos.

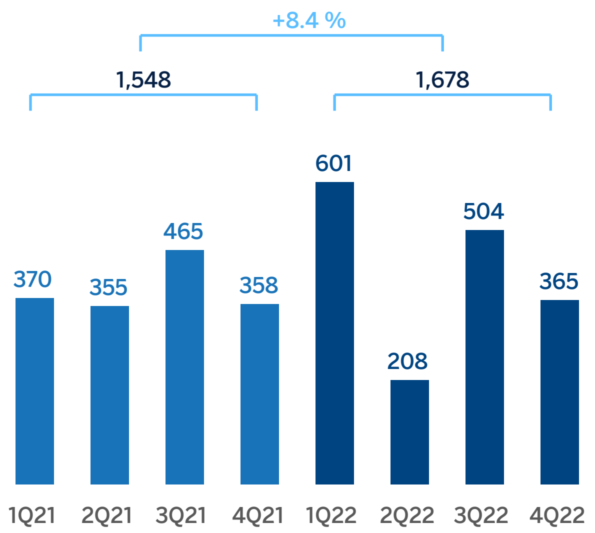
NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022	Δ %	2021 (1)
Net interest income	**3,784**	**8.1**	**3,501**
Net fees and commissions	2,156	(1.8)	2,195
Net trading income	396	30.1	304
Other operating income and expenses	(191)	75.1	(109)
Of which: Insurance activities (2)	*378*	*5.8*	*357*
Gross income	**6,145**	**4.3**	**5,890**
Operating expenses	(2,919)	(4.1)	(3,043)
Personnel expenses	*(1,608)*	*(7.4)*	*(1,738)*
Other administrative expenses	*(907)*	*3.7*	*(875)*
Depreciation	*(404)*	*(6.3)*	*(431)*
Operating income	**3,226**	**13.3**	**2,847**
Impairment on financial assets not measured at fair value through profit or loss	(522)	4.0	(503)
Provisions or reversal of provisions and other results	(78)	(71.2)	(270)
Profit (loss) before tax	**2,625**	**26.6**	**2,075**
Income tax	(743)	41.8	(524)
Profit (loss) for the period	**1,882**	**21.4**	**1,551**
Non-controlling interests	(3)	38.3	(2)
Net attributable profit (loss) excluding non-recurring impacts	**1,879**	**21.4**	**1,548**
Net impact arisen from the purchase of offices in Spain	(201)	—	—
Net attributable profit (loss)	**1,678**	**8.4**	**1,548**

(1) Restated balances. For more information, please refer to the "Business Areas" section.

(2) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-12-22	Δ %	31-12-21
Cash, cash balances at central banks and other demand deposits	49,185	86.4	26,386
Financial assets designated at fair value	126,413	(13.1)	145,546
Of which: Loans and advances	*41,926*	*(17.2)*	*50,633*
Financial assets at amortized cost	204,588	2.5	199,646
Of which: Loans and advances to customers	*174,031*	*1.7*	*171,081*
Inter-area positions	38,924	14.6	33,972
Tangible assets	2,990	18.0	2,534
Other assets	5,093	(4.7)	5,346
Total assets/liabilities and equity	**427,193**	**3.3**	**413,430**
Financial liabilities held for trading and designated at fair value through profit or loss	84,619	4.0	81,376
Deposits from central banks and credit institutions	51,702	(5.6)	54,759
Deposits from customers	220,471	6.7	206,663
Debt certificates	40,782	6.7	38,224
Inter-area positions	—	—	—
Other liabilities	16,495	(10.4)	18,406
Regulatory capital allocated	13,123	(6.3)	14,002

Relevant business indicators	31-12-22	Δ %	31-12-21
Performing loans and advances to customers under management (1)	171,268	1.8	168,235
Non-performing loans	7,891	(6.6)	8,450
Customer deposits under management (1)	219,592	6.6	205,908
Off-balance sheet funds (2)	86,759	(7.8)	94,095
Risk-weighted assets	114,474	0.6	113,797
Efficiency ratio (%)	47.5		51.7
NPL ratio (%)	3.9		4.2
NPL coverage ratio (%)	61		62
Cost of risk (%)	0.28		0.30

(1) Excluding repos.

(2) Includes mutual funds, customer portfolios and pension funds.

Macro and industry trends

Despite the war in Ukraine and the ongoing tightening of monetary conditions, economic activity continued to show dynamism in the second half of 2022. Inflation displayed recent signs of deceleration, in line with lower energy prices, favored by expectations that current gas inventories are high enough to avoid a shortage in the winter of 2022-23. Spain's GDP increased by 5.5% in 2022, ninety basis points above BBVA Research's forecast. The interest rate hikes by the ECB, disruptions in the gas market and the global and European slowdown are expected to moderate the economy, and GDP growth in 2023 would be around 1.4%, 0.2 percentage points higher than previously expected by BBVA Research. Inflation, which ended the year at 5.7% after breaching the 10.0% threshold at the mid-year, will moderate to around 3.5% in the 2023 average, which is still above the ECB's 2% target.

As for the banking sector, based on data as of the end of November 2022, the volume of credit to the private sector remained stable, with a slight growth of 0.4% year-on-year. This was mainly driven by mortgages and credit to non-real estate businesses. Customer deposits (demand and time) grew by 2.8% year-on-year at the end of November 2022. For the time being, no transfers to time deposits has been observed. The NPL ratio continued to decline, reaching 3.68% in November 2022, 61 basis points lower than in the same month of 2021. The system also maintains comfortable solvency and liquidity levels.

Activity

The most relevant aspects related to the area's activity during 2022 were:

- Lending activity increased in the year (+1.8% compared to the end of 2021), largely supported by the growth of business segments, especially SMEs (+11.0%) and corporate loans (+8.4%), as well as higher consumer balances (+9.1%, including credit cards).
- With regard to asset quality, the NPL ratio decreased by 28 basis points in the year to 3.9%, mainly derived from the retail portfolios sale and, to a lesser extent, the higher recoveries and write-offs management. For its part, the NPL coverage ratio remained broadly stable at 61% at the end of December 2022.
- Total customer funds recorded a variation of +2.1%, which represents balances, for the first time in the last twelve months, above the end of 2021, with uneven performance by product: customer deposits under management increased by 6.6% in 2022, with growth in demand deposits and, to a lesser extent, in time deposits -no transfers from demand to time deposits currently observed-. For its part, off-balance sheet funds (mutual and pension funds) declined by 7.8% weighed down by the evolution of the markets in 2022.

Results

Spain generated a net attributable profit of €1,678m in the year 2022, up 8.4% from the result achieved in the previous year, due to the dynamism of net interest income and the higher net trading income (NTI), which together with lower operating expenses and provisions, have driven the year-on-year evolution. This result includes the net impact of €-201m from the purchase of offices from Merlin, recorded in the second quarter of the year. Excluding this impact, the cumulative net attributable profit of the area at the end of the year 2022 stands at €1,879m, 21.4% above the net attributable profit of the previous year.

The most notable aspects of the year-on-year changes in the area's income statement at the end of December 2022 were:

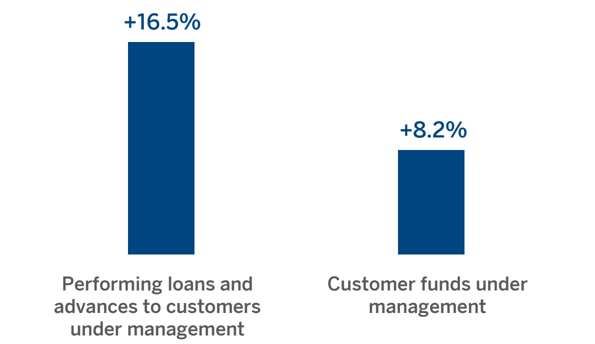
- Net interest income registered an increase of 8.1%, supported by the improvement in customer spread, in an environment of rising interest rates, and the activity growth.
- Net fees and commissions were lower than in the previous year (-1.8%), affected by the lower asset management commissions contribution, which were impacted by the market evolution during the year 2022.
- NTI stood a 30.1% above the one achieved in the same period of the previous year, mainly due to the greater contribution of the Global Markets unit.
- The other operating income and expenses line compares negatively to the previous year, mainly due to the higher contribution to the Single Resolution Fund (hereinafter, FUR, for its acronym in Spanish) and Deposit Guarantee Fund (hereinafter, FGD, for its acronym in Spanish), which was partially offset by the good performance of the insurance business (+5.8%).
- Decrease in operating expenses (-4.1%), mainly due to lower personnel expenses, as a result of the restructuring process in 2021.
- As a result of gross income growth and the declined expenses, the efficiency ratio stood at 47.5%, representing a significant improvement compared to the 51.7% recorded at the end of December 2021.
- Impairment on financial assets was 4.0% above the one recorded in 2021, due to the provisions increase in debt securities portfolio (release in 2021), which were partially offset by slightly lower loan-loss provisions. As a result, the accumulated cost of risk at the end of December 2022 stood at 0.28%, below the 0.30% at the end of December 2021.
- The provisions and other results line closed the year 2022 at €-78m, which compares very positively with last year, due to, among other factors, the provisions update in 2022 for pensions and other personnel commitments.

3.2.2 Mexico

Highlights

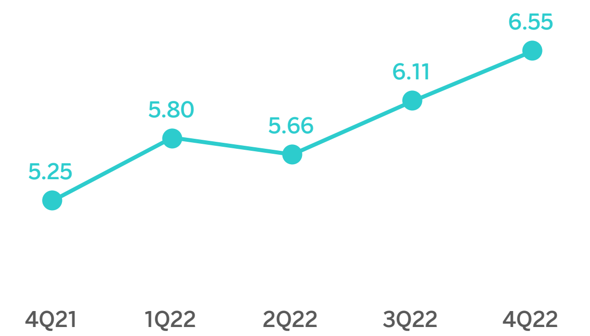
- **Balanced and double-digit growth in both the wholesale and retail portfolio in the year**
- **Very positive performance of recurring income due to increased activity and improved customer spreads**
- **Risk indicators improvement and outstanding performance of the efficiency ratio**
- **Constant increase in the quarterly net attributable profit**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-21)

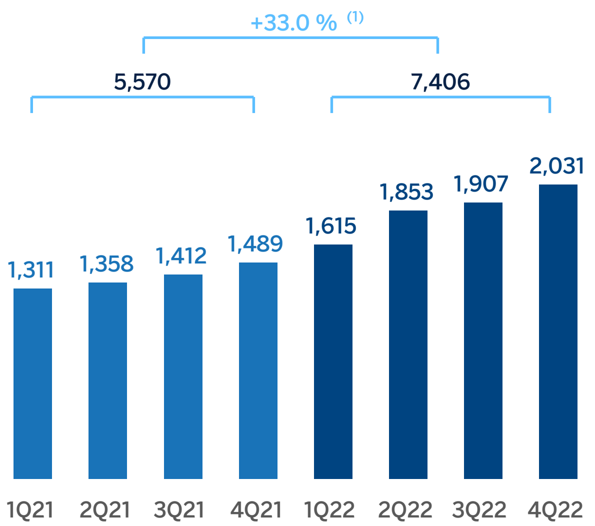


[1] Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

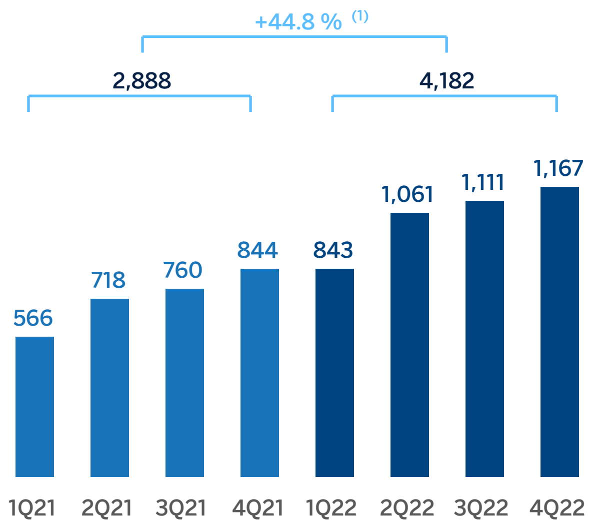


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[1] At current exchange rate: +50.5%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[1] At current exchange rate: +63.9%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022	Δ %	Δ % (1)	2021 (2)
Net interest income	**8,378**	**43.6**	**26.8**	**5,836**
Net fees and commissions	1,621	33.9	18.3	1,211
Net trading income	439	19.9	5.9	366
Other operating income and expenses	400	110.9	86.3	190
Gross income	**10,839**	**42.6**	**25.9**	**7,603**
Operating expenses	(3,432)	28.0	13.0	(2,682)
Personnel expenses	*(1,576)*	*31.4*	*16.1*	*(1,199)*
Other administrative expenses	*(1,459)*	*26.0*	*11.3*	*(1,157)*
Depreciation	*(398)*	*22.0*	*7.8*	*(326)*
Operating income	**7,406**	**50.5**	**33.0**	**4,921**
Impairment on financial assets not measured at fair value through profit or loss	(1,693)	17.5	3.8	(1,440)
Provisions or reversal of provisions and other results	(24)	n.s.	n.s.	24
Profit (loss) before tax	**5,690**	**62.3**	**43.4**	**3,505**
Income tax	(1,507)	58.1	39.7	(953)
Profit (loss) for the period	**4,182**	**63.9**	**44.8**	**2,552**
Non-controlling interests	(1)	60.7	42.0	(0)
Net attributable profit (loss)	**4,182**	**63.9**	**44.8**	**2,551**

(1) At constant exchange rate.

(2) Restated balances. For more information, please refer to the "Business Areas" section.

Balance sheets	31-12-22	Δ %	Δ % (1)	31-12-21
Cash, cash balances at central banks and other demand deposits	13,228	1.9	(8.2)	12,985
Financial assets designated at fair value	40,356	14.9	3.5	35,126
Of which: Loans and advances	*1,507*	*80.4*	*62.6*	*835*
Financial assets at amortized cost	84,465	29.3	16.5	65,311
Of which: Loans and advances to customers	*71,754*	*28.6*	*15.9*	*55,809*
Tangible assets	1,969	13.8	2.5	1,731
Other assets	3,387	14.7	3.4	2,953
Total assets/liabilities and equity	**143,405**	**21.4**	**9.4**	**118,106**
Financial liabilities held for trading and designated at fair value through profit or loss	25,840	30.2	17.3	19,843
Deposits from central banks and credit institutions	4,402	34.7	21.4	3,268
Deposits from customers	77,750	21.5	9.5	64,003
Debt certificates	7,758	(2.8)	(12.4)	7,984
Other liabilities	17,825	13.0	1.8	15,779
Regulatory capital allocated	9,831	36.0	22.6	7,229

Relevant business indicators	31-12-22	Δ %	Δ % (1)	31-12-21
Performing loans and advances to customers under management (2)	72,311	29.3	16.5	55,926
Non-performing loans	1,939	0.9	(9.0)	1,921
Customer deposits under management (2)	76,785	21.2	9.2	63,349
Off-balance sheet funds (3)	38,196	18.0	6.3	32,380
Risk-weighted assets	71,738	11.1	0.1	64,573
Efficiency ratio (%)	31.7			35.3
NPL ratio (%)	2.5			3.2
NPL coverage ratio (%)	129			106
Cost of risk (%)	2.47			2.67

(1) At constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds, customer portfolios and other off-balance sheet funds.

Macro and industry trends

Economic growth surprised on the upside in the second half of 2022, maintaining the relative dynamism observed in the first half of the year. The GDP growth for the year would reach around 3.0%, according to BBVA Research (one percentage point above the previous forecast). The outlook for economic activity in 2023 remains moderate: the GDP is expected to grow by 0.6% in 2023 (unchanged from the previous forecast). The slowdown in the United States economy, the high inflation —which stood at 7.8% at the end of 2022 and could average around 5.1% in 2023— and the high central bank interest rates, which could soon reach 10.75%, will foreseeably contribute to the slowdown in economic growth.

As for the banking system, with data as of the end of November 2022, the lending volume increased by 12.8% year-on-year, with a greater boost from the consumer portfolio (+17.5%) relative to mortgages and businesses (+12.0% and +11.3%, respectively). Total deposits growth moderated slightly to 8.8% year-on-year in November 2022, highlighting the incipient shift towards time deposits (+11.1% year-on-year). The industry's non-performing loans remained stable at around 2.35% in November 2022. Capital ratios are comfortable.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity in the year 2022 were:

- Lending activity (performing loans under management) grew 16.5% between January and December 2022, with balanced growth in the wholesale portfolio and retail portfolio. The wholesale portfolio, which includes larger companies and the public sector, recorded a growth of 15.7%, due to commercial efforts to attract and retain new customers. For its part, the retail segment accelerated its rate of growth to 15.3%. Within this segment, consumer loans (+16.0%), mortgage loans (+11.2%), and credit cards (+20.7%) stood out, with an outstanding evolution of the latter in the fourth quarter. The aforementioned has supported a stable composition in lending activity, with a balanced distribution in lending between wholesale portfolio and retail portfolio.
- With regard to asset quality indicators, the NPL ratio stood at 2.5% at the end of December 2022, which represents a 68 basis points improvement in the year, mainly due to the aforementioned lending activity increase, and higher recoveries from the wholesale portfolio. For its part, the NPL coverage ratio stood at 129% at the end of December 2022, which represents an increase compared to the ratio of December 2021 (106%) due to higher loan-loss provisions.
- Customer deposits under management increased during the year 2022 (+9.2%). This performance is explained by both the growth in time deposits and demand deposits. For its part, off-balance sheet funds grew at a rate of 6.3% between January and December 2022.

Results

In Mexico, BBVA achieved a net attributable profit of €4,182m during 2022, representing an increase of 44.8% compared to the year 2021, mainly as a result of the increase in recurring income (net interest income and commissions), due to the strong dynamism of lending activity and the continued improvement in customer spreads, which more than offset the expenses increase in a context of growth and strong activity. For its part, loan-loss provisions remained contained in the year.

The most relevant aspects of the year-on-year changes in the income statement at the end of December 2022 are summarized below:

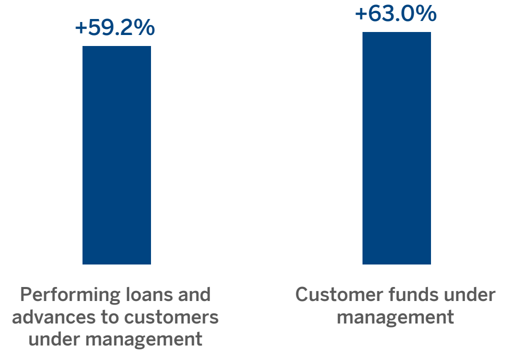
- Net interest income increased by 26.8%, due to the strong dynamism of lending activity and the effective pricing management, in a context of rising interest rates, with a higher loan yield and a contained cost of deposits in the year.
- Net fees and commissions increased by 18.3% thanks to the higher level of transactions by customers, especially on credit cards, as well as income derived from mutual funds management.
- NTI increased by 5.9%, mainly due to the good results of the Global Markets unit and the foreign exchange operations.
- The other operating income and expenses line recorded a growth of 86.3%, due to higher results of the insurance business as result of the activity dynamism, as well as the release of provisions in a context of rising interest rates.
- Operating expenses increase (+13.0%), mainly due to higher personnel expenses, impacted by wages increases in a context of higher inflation, and higher incentives to sales position and higher variable remuneration in a context of strong growth of activity. The general expenses line also increased, in an environment of rising prices where certain expenses are indexed to inflation, as well as by higher marketing and technology expenses. Notwithstanding the above, there was significant improvement of 361 basis points in the efficiency ratio, which stood at 31.7% compared to 35.3% recorded twelve months earlier.
- Slight increase in the impairment on financial assets line in the year (+3.8%), mainly due to higher loan loss-provisions in the retail portfolio in a higher growth environment. However, the cumulative cost of risk, at the end of December 2022 stood at 2.47%, still below that recorded twelve months earlier.

3.2.3 Turkey

Highlights

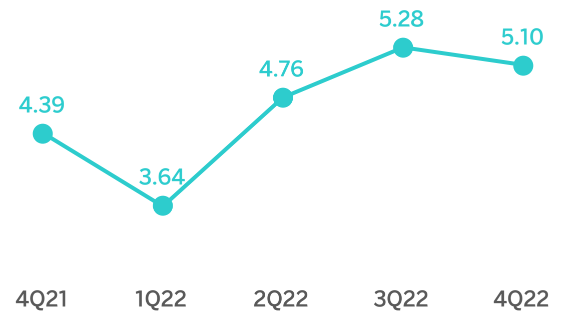
- **Acceleration of local currency portfolio and reduction of exposure to foreign currency portfolios**
- **Net attributable profit impacted by the hyperinflation accounting, with effect from January 1, 2022, partially offset by the good dynamics of the business.**
- **Strength of risk indicators**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-21)

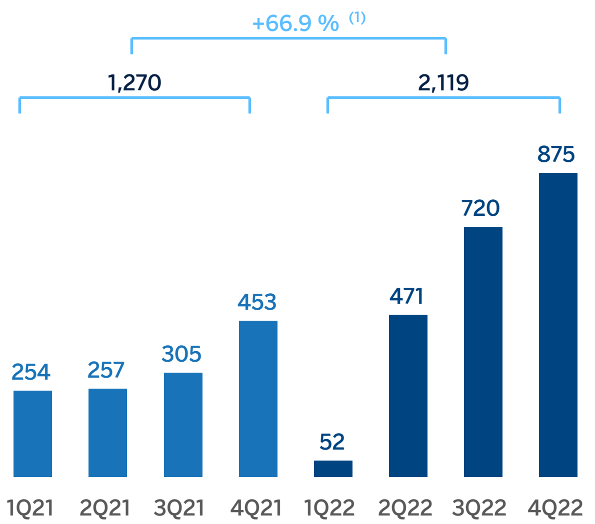


[(1)] Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

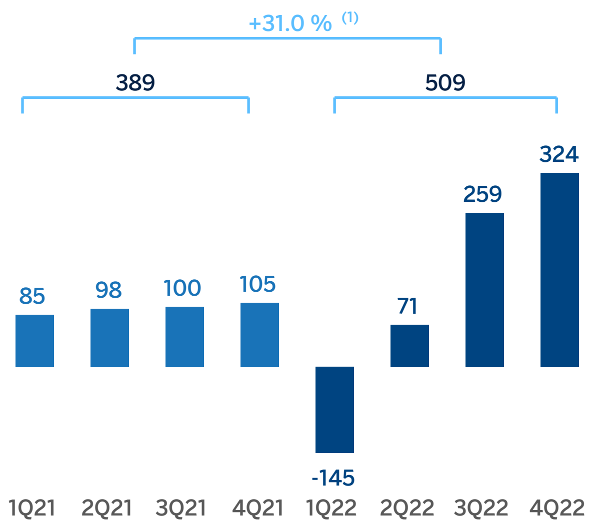


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[(1)] At current exchange rate: -12.2%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[(1)] At current exchange rate: -31.0%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022	∆ %	∆ % (1)	2021 (2)
Net interest income	**2,631**	**11.0**	**110.9**	**2,370**
Net fees and commissions	587	4.0	97.5	564
Net trading income	741	79.4	240.9	413
Other operating income and expenses	(774)	n.s.	n.s.	74
Gross income	**3,185**	**(6.9)**	**76.9**	**3,422**
Operating expenses	(1,067)	5.6	100.7	(1,010)
Personnel expenses	*(593)*	*0.0*	*90.0*	*(593)*
Other administrative expenses	*(345)*	*15.8*	*120.0*	*(298)*
Depreciation	*(129)*	*8.6*	*106.4*	*(118)*
Operating income	**2,119**	**(12.2)**	**66.9**	**2,412**
Impairment on financial assets not measured at fair value through profit or loss	(387)	(21.8)	48.7	(494)
Provisions or reversal of provisions and other results	(88)	n.s.	n.s.	33
Profit (loss) before tax	**1,644**	**(15.8)**	**60.1**	**1,952**
Income tax	(1,105)	143.1	n.s.	(455)
Profit (loss) for the period	**538**	**(64.0)**	**(31.6)**	**1,497**
Non-controlling interests	(29)	(96.2)	(92.7)	(758)
Net attributable profit (loss)	**509**	**(31.0)**	**31.0**	**739**

(1) At constant exchange rate.

(2) Restated balances due to reallocation of some technology expenses. For more information, please refer to the "Business Areas" section.

Balance sheets	31-12-22	∆ %	∆ % (1)	31-12-21
Cash, cash balances at central banks and other demand deposits	6,061	(21.9)	2.3	7,764
Financial assets designated at fair value	5,203	(1.6)	28.9	5,289
Of which: Loans and advances	*3*	*(99)*	*(99)*	*295*
Financial assets at amortized cost	51,621	24.3	62.9	41,544
Of which: Loans and advances to customers	*37,443*	*19.2*	*56.2*	*31,414*
Tangible assets	1,213	94.6	155.0	623
Other assets	1,944	89.8	148.7	1,025
Total assets/liabilities and equity	**66,043**	**17.4**	**53.9**	**56,245**
Financial liabilities held for trading and designated at fair value through profit or loss	2,138	(5.9)	23.3	2,272
Deposits from central banks and credit institutions	2,872	(29.7)	(7.9)	4,087
Deposits from customers	46,339	20.9	58.4	38,341
Debt certificates	3,236	(10.6)	17.2	3,618
Other liabilities	4,748	119.2	187.3	2,166
Regulatory capital allocated	6,711	16.5	52.7	5,761

Relevant business indicators	31-12-22	∆ %	∆ % (1)	31-12-21
Performing loans and advances to customers under management (2)	37,191	21.5	59.2	30,610
Non-performing loans	2,597	(13.3)	13.7	2,995
Customer deposits under management (2)	45,592	18.9	55.9	38,335
Off-balance sheet funds (3)	6,936	78.1	133.4	3,895
Risk-weighted assets	56,275	13.2	48.3	49,718
Efficiency ratio (%)	33.5			29.5
NPL ratio (%)	5.1			7.1
NPL coverage ratio (%)	90			75
Cost of risk (%)	0.94			1.33

(1) At constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds and pension funds.

Macro and industry trends

After surprising on the upside in the first half of the year, against a context of increasing fiscal and monetary stimulus, economic activity lost dynamism in the second half of the year. Thus, BBVA Research expects GDP growth in 2022 to be 5.5%, half a percentage point lower than forecast three months ago. The relative strength of demand, high commodity prices and the sharp depreciation of the Turkish lira in a context of negative interest rates in real terms (even more so after the interest rate cuts announced by the central bank) contributed to keeping inflation at particularly elevated levels (64.3% in December). According to BBVA Research estimates, growth could slow to 3.0% in 2023 (five tenths of a percentage point lower than the previous forecast), therefore reducing inflationary pressure and external accounts. However, the economic environment is highly unstable due to the combination of high inflation, very negative real interest rates, economic policy uncertainty, pressure on the Turkish lira, high external finance needs and the current global and regional context.

As for the Turkish banking industry, looking at data as of November 2022 in which the effect of inflation remains clear, the total volume of lending in the system increased by 54.1% year-on-year, a moderation compared to previous months. The stock of credit continued to be driven by the rise of consumer loans (+67.6% year-on-year) while credit to businesses grew slightly less (+53.4% year-on-year). Total deposits slowed down, especially demand deposits, after growing by 62.8% year-on-year in November 2022. The growth in Turkish lira deposits accelerated (+120.5%) while dollar deposits grew far more slowly (+30.0%), reducing dollarization to 47% by the end of 2022 (versus 65% at the end of 2021, boosted by the regulatory measures announced during the year to promote the growth of deposits in Turkish lira). As for the system's NPL ratio, it stood at 2.16% as of November 2022 (106 basis points lower than in the same month of 2021).

Unless expressly stated otherwise, all comments below on rates of changes for both activity and income, will be presented at constant exchange rates. For the conversion of these figures, the exchange rate as of December 31, 2022 is used. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area’s activity during the year 2022 were:

- Lending activity (performing loans under management) increased by 59.2% between January and December 2022, driven by the growth in Turkish lira loans (+79.5%). This growth was mainly supported by the performance of credit cards, commercial loans and, to a lesser extent, consumer loans. Regarding foreign currency loans (in U.S. dollars), the deleveraging continues (-16.3%), fostered by regulatory measures.
- With regard to asset quality, the NPL ratio decreased by 200 basis points compared to the end of 2021 to 5.1%, mainly due to the higher recoveries and the change in staging of a large customer from Stage 3 to Stage 2, both in the wholesale portfolio, as well as to an increased activity (in particular, consumer loans and credit cards portfolio in Turkish Lira). As a result of the above, the NPL coverage ratio improved during the year to 90% as of December 31, 2022.
- Customer deposits (70% of the area's total liabilities as of December 31, 2022) remained the main source of funding for the balance sheet and increased by 55.9%. Noteworthy is the positive performance of Turkish lira time deposits (+141.8%), which represent a 72.9% of total customer deposits in local currency, as well as demand deposits (+123.3%). Balances deposited in foreign currency (in U.S. dollars) continued their downward path and decreased by 22.8%, with transfers from foreign currency time deposits to Turkish lira time deposits observed under a foreign exchange protection scheme, favoured by regulatory measures. For its part, off-balance sheet funds grew by 133.4%.

Results

Turkey generated a net attributable profit of €509m in the year 2022. This result includes the impact of hyperinflation accounting in Turkey, with effect from January 1, 2022, which includes, among others, the loss of the net monetary position for a gross amount of €2,323m, partially offset by the gross impact of income from inflation-linked bonds (CPI linkers) of €1,490m, both recorded in the "Other operating income and expenses" line, as well as the impact of applying the period-end exchange rate as of December 31, 2022. The cumulative net attributable profit at the end of 2022 also includes a lower discount on minority interests due to the increase in the BBVA Group's stake in Garanti BBVA, once the acceptance period for the voluntary takeover bid (hereinafter referred to as the Voluntary Takeover Bid) that the Group formulated on the totality of the share capital it did not own, has ended. These results are not comparable with those from the year 2021, as accounting for hyperinflation has been applied since January 1, 2022.

Regarding the results of the area in 2022:

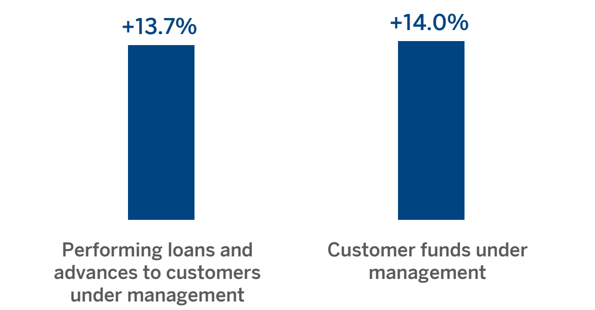
- Net interest income recorded a favourable performance, thanks to the customer spread improvement and the higher loans volumes in Turkish lira loans.
- Net fees and commissions line, positive performance in payment systems, money transfers and brokerage activity.
- Income from NTI mainly reflects those from the Global Markets unit together with the positive results from currency positions.
- Other operating income and expenses line includes, among others, the aforementioned loss in the value of the net monetary position due to the country's inflation rate. It should be noted that said loss is partially offset by the income derived from inflation-linked bonds (CPI linkers). Despite the above, there has been a greater contribution to the Deposit Guarantee Fund and higher income from the subsidiaries of Garanti BBVA.
- Operating expenses include the impact of the wage update on personnel expenses and, in general, the impact of inflation in various items.
- Regarding the impairment on financial assets, provisions increased, both under collective analysis due to portfolio growth and under individualised analysis. For its part, the accumulated cost of risk at the end of December 2022 recorded a decrease to 0.94% from the 1.33% accumulated at the end of the previous quarter, supported by the growth in lending activity.
- The provisions and other results line closed December 2022 .with a loss of €88m, mainly due to the provisions for risks and contingent commitments.

3.2.4 South America

Highlights

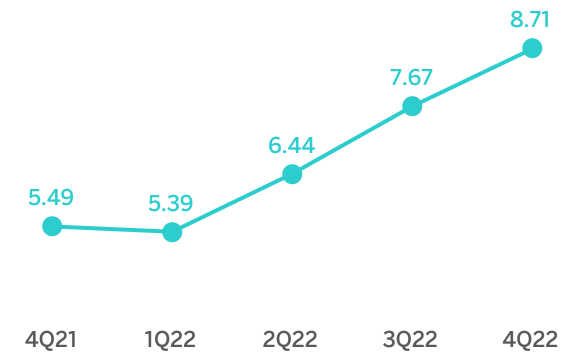
- **Growth in lending activity and customer funds**
- **NPL and NPL coverage ratio improvement**
- **Favorable behavior of recurring income**
- **Improvement of the efficiency ratio**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-21)

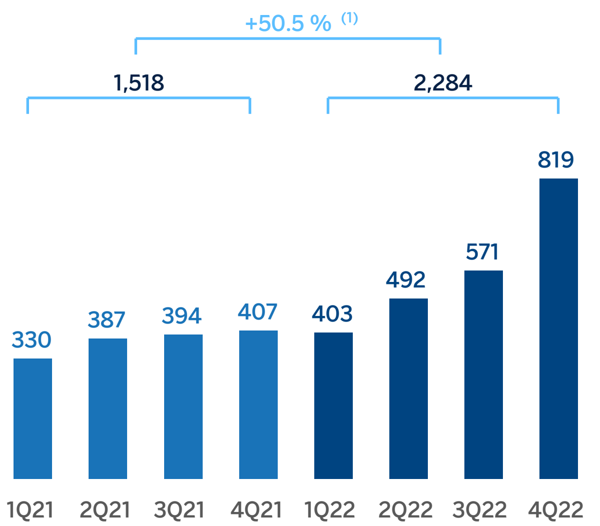


[(1)] Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

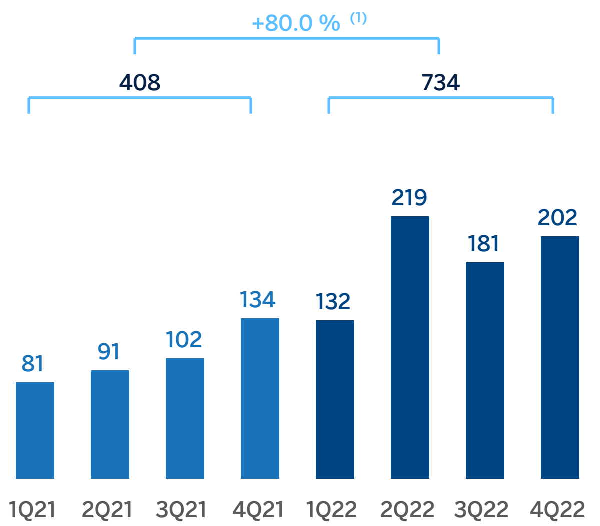


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[(1)] At current exchange rates: +39.3%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[(1)] At current exchange rates: +54.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022	Δ %	Δ % (1)	2021 (2)
Net interest income	**4,137**	**44.7**	**57.7**	**2,859**
Net fees and commissions	778	32.2	38.7	589
Net trading income	447	37.7	40.9	324
Other operating income and expenses	(1,102)	80.4	94.9	(611)
Gross income	**4,261**	**34.8**	**45.1**	**3,162**
Operating expenses	(1,977)	29.8	39.2	(1,522)
Personnel expenses	*(947)*	*30.7*	*40.5*	*(724)*
Other administrative expenses	*(860)*	*31.7*	*43.6*	*(653)*
Depreciation	*(170)*	*17.3*	*15.9*	*(145)*
Operating income	**2,284**	**39.3**	**50.5**	**1,639**
Impairment on financial assets not measured at fair value through profit or loss	(762)	22.4	21.9	(622)
Provisions or reversal of provisions and other results	(94)	21.8	23.4	(77)
Profit (loss) before tax	**1,429**	**52.0**	**74.9**	**940**
Income tax	(345)	23.0	39.7	(281)
Profit (loss) for the period	**1,083**	**64.3**	**90.2**	**659**
Non-controlling interests	(349)	90.1	115.9	(184)
Net attributable profit (loss)	**734**	**54.4**	**80.0**	**476**

(1) At constant exchange rates.

(2) Restated balances. For more information, please refer to the "Business Areas" section.

Balance sheets	31-12-22	Δ %	Δ % (1)	31-12-21
Cash, cash balances at central banks and other demand deposits	7,695	(10.0)	(4.7)	8,549
Financial assets designated at fair value	10,563	47.2	56.3	7,175
Of which: Loans and advances	*152*	*(3.3)*	*10.0*	*157*
Financial assets at amortized cost	40,755	8.0	11.6	37,747
Of which: Loans and advances to customers	*38,526*	*11.3*	*13.4*	*34,608*
Tangible assets	1,088	21.6	24.5	895
Other assets	1,966	11.8	20.0	1,758
Total assets/liabilities and equity	**62,067**	**10.6**	**15.3**	**56,124**
Financial liabilities held for trading and designated at fair value through profit or loss	2,813	49.4	62.0	1,884
Deposits from central banks and credit institutions	5,610	2.0	(4.3)	5,501
Deposits from customers	40,042	10.2	15.7	36,340
Debt certificates	2,956	(8.0)	(8.1)	3,215
Other liabilities	4,770	13.4	30.7	4,207
Regulatory capital allocated	5,874	18.0	23.0	4,977

Relevant business indicators	31-12-22	Δ %	Δ % (1)	31-12-21
Performing loans and advances to customers under management (2)	38,566	11.5	13.7	34,583
Non-performing loans	1,835	1.3	1.3	1,813
Customer deposits under management (3)	40,074	10.2	15.7	36,364
Off-balance sheet funds (4)	17,760	9.5	10.3	16,223
Risk-weighted assets	46,834	8.1	12.6	43,334
Efficiency ratio (%)	46.4			48.2
NPL ratio (%)	4.1			4.5
NPL coverage ratio (%)	101			99
Cost of risk (%)	1.69			1.65

(1) At constant exchange rates.

(2) Excluding repos.

(3) Excluding repos and including specific marketable debt securities.

(4) Includes mutual funds, customer portfolios in Colombia and Peru and pension funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit (loss)			
Country	**2022**	**∆ %**	∆ % (1)	**2021 (2)**	**2022**	**∆ %**	∆ % (1)	**2021 (2)**
Argentina	468	84.4	n.s.	254	185	218.0	n.s.	58
Colombia	605	7.8	8.9	561	238	6.6	7.6	223
Peru	932	37.3	20.7	679	206	74.3	53.1	118
Other countries (3)	279	91.6	82.8	145	106	38.3	32.6	76
Total	**2,284**	**39.3**	**50.5**	**1,639**	**734**	**54.4**	**80.0**	**476**

(1) Figures at constant exchange rates.

(2) Restated balances. For more information, please refer to the "Business Areas" section.

(3) Bolivia, Chile (Forum), Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	31-12-22	**31-12-21**	**31-12-22**	**31-12-21**	**31-12-22**	**31-12-21**
Performing loans and advances to customers under management (1) (2)	3,900	2,058	13,292	10,840	16,943	17,267
Non-performing loans and guarantees given (1)	64	50	600	613	1,054	1,073
Customer deposits under management (1) (3)	6,964	3,755	13,061	11,261	16,219	15,483
Off-balance sheet funds (1) (4)	2,303	1,059	2,046	2,088	1,453	1,813
Risk-weighted assets	8,089	6,775	15,279	14,262	17,936	18,016
Efficiency ratio (%)	61.3	69.0	40.6	37.0	37.2	38.2
NPL ratio (%)	1.6	2.3	4.2	5.0	4.9	4.9
NPL coverage ratio (%)	173	146	106	103	91	89
Cost of risk (%)	2.59	2.20	1.56	1.85	1.58	1.59

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Excluding repos and including specific marketable debt securities.

(4) Includes mutual funds and customer portfolios (in Colombia and Peru).

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators.

Activity and results

The most relevant aspects related to the area's activity during the year 2022 were:

- Lending activity (performing loans under management) recorded an increase of +13.7%, with growth in all segments, particularly in the corporate (+10.0%), consumer (+20.3%) and credit cards (+56.3%) portfolios.

- With regard to asset quality, the NPL ratio stood at 4.1% at the end of December 2022, which represents an improvement compared to the previous year, mainly due to the activity increase. For its part, NPL coverage ratio stood at 101% as of December 31, 2022, with a slight increase compared to the 99% registered at the end of the previous year.

- Customer funds under management increased (+14.0%) compared to the closing balances at the end of 2021, with higher contribution from time deposits (+69.0%) in an environment of rising benchmark rates and, to a lesser extent, on off-balance sheet funds (+10.3%).

South America generated a net attributable profit of €734m in the year 2022, which represents a year-on-year variation of +80.0%, mainly due to the improved performance of recurring income (+54.3%) and NTI, widely offsetting the growth of expenses, which in a highly inflationary environment throughout the region, increase below the gross income, the higher impact of the hyperinflation in Argentina, and higher loan-loss provisions for impairments on financial assets. With regard to the aforementioned inflation impact in Argentina, it stood at €-819m at the end of December 2022, notably above the €-395m accumulated at the end of December 2021. The aforementioned impacts are registered in the "Other operating income and expenses" heading of the area's income statement.

More detailed information on the most representative countries of the business area is provided below:

Argentina

Macro and industry trends

Despite the less favorable global context and a local environment shaped by difficulty in correcting current macroeconomic distortions and meeting the targets set in the agreement reached in March with the International Monetary Fund, economic activity exhibited some dynamism in 2022. Available evidence suggests, according to BBVA Research, that GDP could have grown by close to 5.0% in 2022, one percentage point higher than previously forecast. Furthermore, the global environment, high inflation (94.8% in December; expected to reach around 99% in 2023 on average), financial volatility, uncertainty as to policy developments and limited scope for further stimulus measures support expectations of a slight contraction in GDP in 2023.

The balance sheet of the banking sector continues to grow at a stable pace but remains driven by high inflation. At the end of November 2022, total lending grew by 64.0% compared to the same month in 2021, favored by both consumer and corporate portfolios, which reached year-on-year growth rates of 66.7% and 65.6%, respectively. Meanwhile, deposits sped up their growth compared to previous months: they grew by 94.1% year-on-year in November 2022. Finally, the NPL ratio remained stable at 3.1% in October 2022 (181 basis points lower than in the same month in 2021).

Activity and results

- For the year as a whole, performing loans under management increased by 89.6%, a figure that is well below inflation, with growth in both the business portfolio (+117.2%) and the retail portfolio (+71.8%), highlighting in the latter credit cards (+74.6%) and, to a lesser extent, consumer loans (+69.0%). The NPL ratio stood at 1.6%, which represents an increase compared to the previous quarter (+5 basis points) due to new NPL entries from retail portfolios, but well below the end of 2021. For its part, the NPL coverage ratio increased in the quarter to 173% due to the increase in loan-loss provisions. Regarding asset quality, the NPL ratio stood at 1.6% and the NPL coverage ratio closed 2022 at 173%.

- Balance sheet funds grew by 85.5% in 2022, mainly due to the evolution of time deposits, both in the retail and wholesale segments, followed by demand deposits, and mutual funds.

- The cumulative net attributable profit at the end of December 2022 stood at €185m, well above the figure achieved in 2021, mainly explained by strong growth of the net interest income derived from the activity increase and the higher securities portfolio contribution in a rising interest rates context. The year-on-year performance of commissions and NTI was also positive. The aforementioned was partially offset by a more negative inflation adjustment in the year and higher expenses and loan-loss provisions, mainly related to the fixed-income portfolio.II

Colombia

Macro and industry trends

Economic activity, in general, and domestic demand, in particular, have shown greater dynamism than expected in recent months. Growth in 2022 could reach 8.0%, above BBVA Research's previous forecast of 7.6%. In addition, high inflation (13.1% in December) prompted the Bank of the Republic to raise interest rates to 12.0% in December. In this context, and taking into account financial volatility and economic policy uncertainty, BBVA Research estimates further upward adjustments to interest rates in the near term, to around 13.0%. Inflation will remain relatively high in 2023 (11.7%, on average) and growth will slow significantly to around 0.7% in 2023 (unchanged from the previous forecast).

Total lending growth in the banking sector stood at 17.5% year-on-year in October 2022, driven by lending to households, especially consumer loans. Corporate credit growth sped up to 16.3% year-on-year as of September. Total deposits showed 15.1% year-on-year growth at the end of October 2022. There was a strong move toward time deposits (up 39.3% year-on-year) and a slowdown in the growth of demand deposits (up 4.9% year-on-year). The system's NPL ratio remained stable at around 3.70% in October 2022, a drop of 60 basis points from the same month in 2021.

Activity and results

- Lending activity showed a positive evolution throughout the year, accelerating quarter after quarter its growth rate compared to the end of 2021, reaching a year-on-year increase of 22.6% at the end of 2022. Noteworthy was the more dynamic performance in the wholesale portfolio (+37.9%), due to the business segment, although the retail portfolio also showed a favorable evolution (+13.4%). Regarding asset quality, the NPL ratio closed December 2022 at 4.2% and the NPL coverage ratio stood at 106%.
- Customer deposits under management increased by 16.0% during the year 2022, as a result of the growth in time deposits (+54.0%), resulting from the successive rate hikes implemented by the central bank.
- The cumulative net attributable profit at the end of the year 2022 stood at €238m, or 7.6% above that achieved in the previous year, favored by the evolution of recurring income and the NTI, as well as a contained level of provisions for impairment on financial assets. This offset the increase in operating expenses and income tax as a result of the increase in the tax rate from 34% to 38%.

Peru

Macro and industry trends

Against a context of political instability, which could have a negative impact on economic activity, the recent indicators suggest GDP could have grown close to 2.7% in 2022, four tenths of a percentage point above BBVA Research's previous forecast. Furthermore, uncertainty about future policies, high inflation, high interest rates and the global economic slowdown will impact negatively on growth going forward. Thus, BBVA Research estimates growth to be around 2.5% in 2023, unchanged from its previous expectation. Inflation could remain high in 2023 (around 6,4%, on average), while official interest rates could reach around 8.0% in the coming months.

Total lending growth in the banking industry continued to moderate, reaching 3.1% year-on-year in November 2022. The biggest slowdown continues to be seen in credit to businesses, with the balance contracting to -2.9% year-on-year. However, consumer loans remained dynamic, growing by 24.2% year-on-year in November 2022, while the mortgage portfolio maintained a stable growth rate of around 8.0% year-on-year. The industry's total deposits continued to drop moderately (-0.4% year-on-year in November 2022), with a greater shift toward time deposits (24.9% year-on-year) to the detriment of demand deposits (-8.9% year-on-year). The NPL ratio across the banking system deteriorated slightly to 3.19% in November 2022 (15 basis points above the same month in 2021).

Activity and results

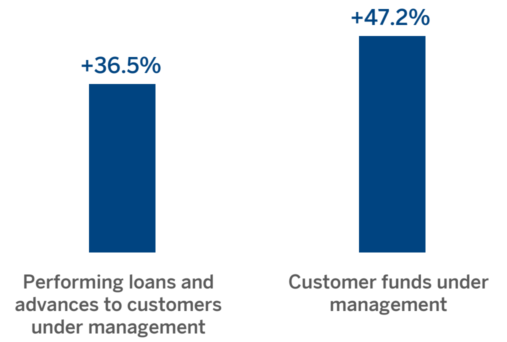
- The year-on-year variation of lending activity stood at -1.9% at the end of December 2022, with an unfavorable evolution of the business segment (-8.1%), mainly due to the difficulty of offsetting the amortizations of the program *Reactiva Peru*. Apart from the above, very dynamic performance of consumer loans (+26.3%) and credit cards (+43.2%). Regarding asset quality, the NPL ratio stood at 4.9% at the end of December 2022, and the NPL coverage ratio closed the year at 91%.
- Customers funds under management increased by 2.2% during the year 2022, due to the favorable performance of time deposits (+84.9%), supported by the rise in benchmark rates by the central bank, which offset lower balances in demand deposits (-10.9%) and in off-balance sheet funds (-19.9%).
- BBVA Peru's net attributable profit stood at €206m at the end of December 2022, 53.1% higher than the figure achieved at the end of the previous year. During the year 2022, recurring income grew by 20.4%, thanks to the favorable evolution of the net interest income, which benefited from the increase in the customer spread and, to a lesser extent, commissions. On the lower part of the income statement, higher operating expenses (+15.8%) -without an efficiency ratio deterioration, which improved 96 basis points in the year- and lower provisions for impairment on financial assets (-1.4%) were recorded.

3.2.5 Rest of Business

Highlights

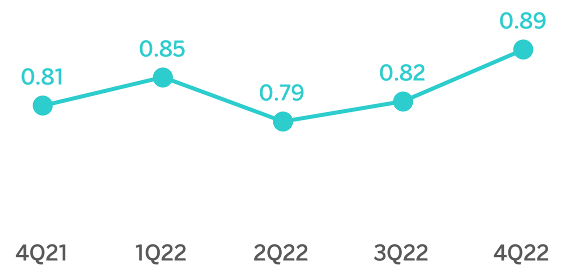
- **Growth in lending activity and in customer funds in 2022**
- **Strong net interest income, which grows at double-digit**
- **Risk indicators improvement in the year**
- **Cost of risk at very low levels**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-21)

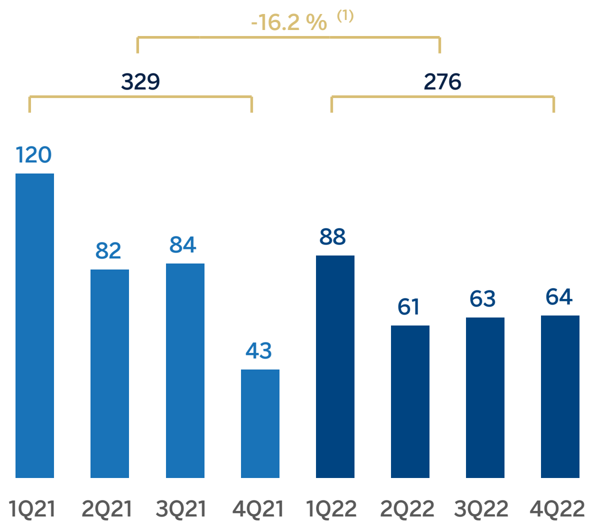


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

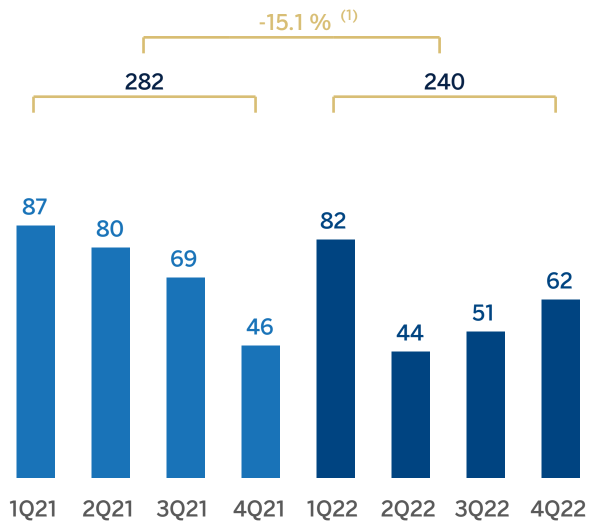


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: -14.6%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: -13.3%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022	Δ %	Δ % (1)	2021 (2)
Net interest income	**332**	**17.4**	**15.5**	**283**
Net fees and commissions	243	0.3	(4.1)	242
Net trading income	208	(11.7)	(13.9)	236
Other operating income and expenses	7	(57.7)	(59.2)	16
Gross income	**790**	**1.7**	**(1.1)**	**776**
Operating expenses	(513)	13.4	9.4	(453)
Personnel expenses	*(262)*	*11.9*	*7.5*	*(234)*
Other administrative expenses	*(228)*	*15.1*	*11.6*	*(198)*
Depreciation	*(23)*	*12.6*	*9.9*	*(20)*
Operating income	**276**	**(14.6)**	**(16.2)**	**323**
Impairment on financial assets not measured at fair value through profit or loss	(13)	n.s.	n.s.	27
Provisions or reversal of provisions and other results	14	n.s.	n.s.	(4)
Profit (loss) before tax	**277**	**(20.0)**	**(21.6)**	**346**
Income tax	(37)	(46.6)	(47.3)	(70)
Profit (loss) for the period	**240**	**(13.3)**	**(15.1)**	**276**
Non-controlling interests	—	—	—	—
Net attributable profit (loss)	**240**	**(13.3)**	**(15.1)**	**276**

(1) At constant exchange rates.

(2) Restated balances. For more information, please refer to the “Business Areas” section.

Balance sheets	31-12-22	Δ %	Δ % (1)	31-12-21
Cash, cash balances at central banks and other demand deposits	4,015	1.1	(4.5)	3,970
Financial assets designated at fair value	5,090	(10.4)	(15.2)	5,682
Of which: Loans and advances	*4,230*	*(9.8)*	*(15.1)*	*4,691*
Financial assets at amortized cost	40,425	33.4	31.4	30,315
Of which: Loans and advances to customers	*37,375*	*38.6*	*36.5*	*26,965*
Inter-area positions	—	—	—	—
Tangible assets	78	12.0	11.0	70
Other assets	343	17.9	15.1	291
Total assets/liabilities and equity	**49,952**	**23.9**	**20.8**	**40,328**
Financial liabilities held for trading and designated at fair value through profit or loss	4,397	(13.1)	(18.1)	5,060
Deposits from central banks and credit institutions	2,745	60.6	55.1	1,709
Deposits from customers	9,827	56.8	52.8	6,266
Debt certificates	1,561	33.9	31.5	1,166
Inter-area positions	26,061	18.0	16.0	22,085
Other liabilities	1,013	34.2	31.2	755
Regulatory capital allocated	4,348	32.3	29.9	3,287

Relevant business indicators	31-12-22	Δ %	Δ % (1)	31-12-21
Performing loans and advances to customers under management (2)	37,431	38.6	36.5	27,000
Non-performing loans	192	(26.2)	(26.2)	261
Customer deposits under management (2)	9,827	56.8	52.8	6,266
Off-balance sheet funds (3)	520	(12.9)	(12.9)	597
Risk-weighted assets	35,064	19.8	17.6	29,280
Efficiency ratio (%)	65.0			58.4
NPL ratio (%)	0.4			0.7
NPL coverage ratio (%)	131			116
Cost of risk (%)	0.04			(0.11)

(1) At constant exchange rates.

(2) Excluding repos.

(3) Includes pension funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators. Comments that refer to Europe exclude Spain.

Activity

The most relevant aspects of the evolution of BBVA Group's Rest of Business activity between January and December 2022 were:

- Lending activity (performing loans under management) registered an increase (+36.5%), with a favorable performance, mainly from the New York branch and, to a lesser extent, from the branches in Europe and Asia.
- With regard to asset quality indicators, the NPL ratio decreased by 31 basis points in the year to 0.4%, mainly thanks to the increased activity. For its part, the NPL coverage ratio closed the year at 131%, above the 116% registered at the end of December 2021.
- Customer funds under management increased by 47.2%, with growth in time deposits, mainly from Europe and the New York branch, which more than offset the decline in demand deposits and off-balance sheet funds.

Results

The good performance of the net interest income was offset by lower commissions and NTI. Together with the expenses increase in an environment of higher inflation and loan-loss provisions on normal level, represents a lower contribution of the unit to the Group results in 2022.

Regarding the year-on-year evolution of the area's income statement at the end of December 2022:

- The net interest income increased by 15.5%, with a positive performance in Europe and the New York branch.
- Net fees and commissions decreased by 4.1%, due to the lower fees and commissions recorded by BBVA Securities, which offset the good performance in Europe, and especially in New York.
- The NTI line recorded a decrease of 13.9%, mainly due to the lower results of the business in the United States.
- Decrease in the contribution of the other operating income and expenses line, as a result of the evolution of BBVA Securities.
- Increase in operating expenses of 9.4%, mainly due to higher personnel expenses in Europe and the New York branch, partially offset by the lower expenses recorded by BBVA Securities.
- The impairment on financial assets line closed December 2022 with a slight provision compared to the release of the previous year, originated in the New York branch.
- Favorable performance of the provisions or reversal of provisions line and other results mainly focused on lower provisions in New York.
- As a result, the area's cumulative net attributable profit between January and December 2022 was €240m (-15.1% year-on-year).

3.2.6 Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022	Δ %	2021 [1]
Net interest income	**(109)**	**(33.0)**	**(163)**
Net fees and commissions	(31)	(11.9)	(36)
Net trading income	(294)	n.s.	266
Other operating income and expenses	105	(27.7)	146
Gross income	**(329)**	**n.s.**	**212**
Operating expenses	(852)	4.0	(820)
Personnel expenses	*(625)*	*12.1*	*(558)*
Other administrative expenses	*(21)*	*(68.7)*	*(68)*
Depreciation	*(206)*	*6.2*	*(194)*
Operating income	**(1,181)**	**94.6**	**(607)**
Impairment on financial assets not measured at fair value through profit or loss	(2)	6.1	(2)
Provisions or reversal of provisions and other results	8	(73.4)	32
Profit (loss) before tax	**(1,175)**	**103.5**	**(577)**
Income tax	277	265.3	76
Profit (loss) for the period	**(898)**	**79.1**	**(501)**
Non-controlling interests	(25)	21.9	(20)
Net attributable profit (loss) excluding non-recurring impacts	**(922)**	**76.9**	**(522)**
Profit (loss) after tax from discontinued operations [2]	—	—	280
Net cost related to the restructuring process	—	—	(696)
Net attributable profit (loss)	**(922)**	**(1.6)**	**(938)**

(1) Restated balances. For more information, please refer to the "Business Areas" section.

(2) Including the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

Balance sheets	31-12-22	Δ %	31-12-21
Cash, cash balances at central banks and other demand deposits	856	(91.1)	9,609
Financial assets designated at fair value	2,390	13.9	2,099
Of which: Loans and advances	—	*n.s.*	—
Financial assets at amortized cost	3,262	49.9	2,175
Of which: Loans and advances to customers	*278*	*(72.4)*	*1,006*
Inter-area positions	—	—	—
Tangible assets	1,863	(5.1)	1,964
Other assets	14,349	(4.3)	14,988
Total assets/liabilities and equity	**22,719**	**(26.3)**	**30,835**
Financial liabilities held for trading and designated at fair value through profit or loss	108	29.1	84
Deposits from central banks and credit institutions	682	(17.4)	825
Deposits from customers	187	6.6	175
Debt certificates	(863)	n.s.	1,556
Inter-area positions	7,865	1.4	7,758
Other liabilities	4,012	(42.1)	6,932
Regulatory capital allocated	(39,887)	13.1	(35,257)
Total equity	50,615	3.8	48,760

Results

The Corporate Center recorded a net attributable loss of €922m in the year 2022. This result compares to the loss of €938m recorded in the same period of the previous year, which included the net costs associated with the restructuring process in Spain carried out by the Group in 2021, in addition to the results generated by the Group's businesses in the United States until their sale to PNC on June 1, 2021.

In addition to the aforementioned, the most relevant aspects of the year-on-year evolution of this aggregate are summarized below:

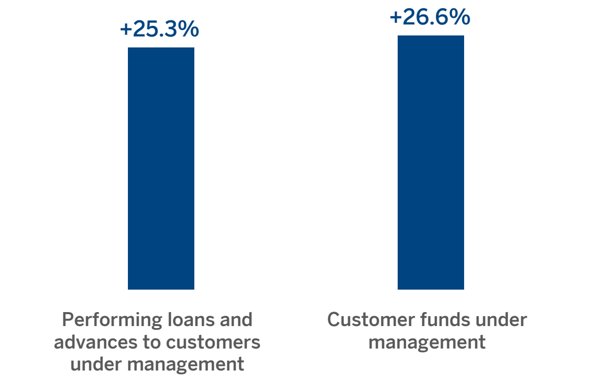
- Between January and December 2022, the NTI registered a negative result of €294m, which contrasts with the gains of €266m in the same period of the previous year, mainly due to the negative contribution of the foreign exchange hedge as a result of a better currencies evolution than expected and a very positive contribution from the Group's portfolio holdings in 2021.
- Contained operating expenses (+4.0%), mainly due to lower IT- related costs.

3.2.7 Other information: Corporate & Investment Banking

Highlights

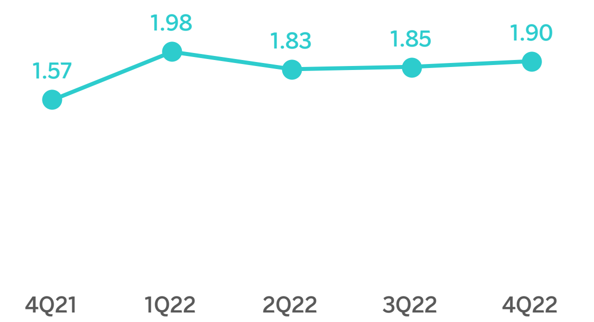
- **Lending activity and customer funds increase throughout the year**
- **Favorable evolution of recurring income and NTI, with double-digit growth in all business lines**
- **Improved efficiency**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-21)

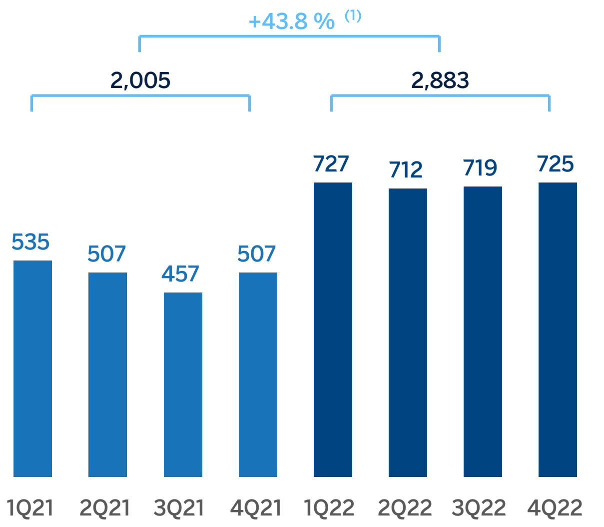


[1] Excluding repos.

GROSS INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

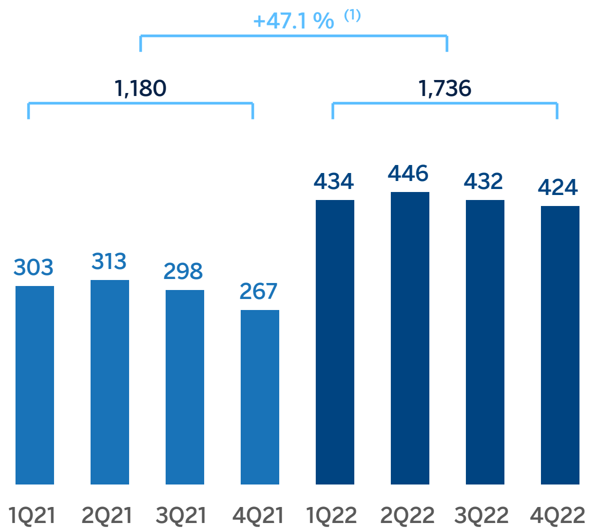


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +28.9%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +40.0%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2022 (1)	Δ %	Δ % (2)	2021 (3)
Net interest income	**1,952**	**23.9**	**31.3**	**1,576**
Net fees and commissions	917	15.5	20.0	794
Net trading income	1,182	30.6	50.1	905
Other operating income and expenses	(43)	6.9	4.2	(40)
Gross income	**4,008**	**23.9**	**33.7**	**3,235**
Operating expenses	(1,125)	12.7	13.4	(999)
Personnel expenses	*(535)*	*12.9*	*12.3*	*(474)*
Other administrative expenses	*(485)*	*16.4*	*19.3*	*(417)*
Depreciation	*(105)*	*(2.3)*	*(3.7)*	*(107)*
Operating income	**2,883**	**28.9**	**43.8**	**2,236**
Impairment on financial assets not measured at fair value through profit or loss	(104)	51.0	110.3	(69)
Provisions or reversal of provisions and other results	(12)	0.9	(8.9)	(12)
Profit (loss) before tax	**2,767**	**28.4**	**42.4**	**2,156**
Income tax	(779)	32.2	45.6	(589)
Profit (loss) for the period	**1,988**	**26.9**	**41.2**	**1,567**
Non-controlling interests	(253)	(22.6)	10.9	(327)
Net attributable profit (loss)	**1,736**	**40.0**	**47.1**	**1,240**

(1) For the translation of the income statement in those countries where hyperinflation accounting is applied, the punctual exchange rate as of December 31, 2022 is used.

(2) At constant exchange rates.

(3) Restated balances. For more information, please refer to the "Business Areas" section.

Balance sheets	31-12-22	Δ %	Δ % (1)	31-12-21
Cash, cash balances at central banks and other demand deposits	5,524	7.8	4.9	5,125
Financial assets designated at fair value	117,958	(10.4)	(11.5)	131,711
Of which: Loans and advances	*45,360*	*(17.9)*	*(18.2)*	*55,232*
Financial assets at amortized cost	89,440	23.6	23.6	72,363
Of which: Loans and advances to customers	*77,208*	*24.4*	*24.5*	*62,042*
Inter-area positions	—	—	—	—
Tangible assets	52	20.6	18.6	43
Other assets	862	n.s.	n.s.	110
Total assets/liabilities and equity	**213,836**	**2.1**	**1.4**	**209,352**
Financial liabilities held for trading and designated at fair value through profit or loss	98,790	3.7	2.4	95,283
Deposits from central banks and credit institutions	20,987	62.9	61.7	12,884
Deposits from customers	48,180	25.6	25.0	38,360
Debt certificates	5,292	(7.9)	(12.3)	5,746
Inter-area positions	25,576	(42.1)	(41.9)	44,196
Other liabilities	4,157	43.3	45.6	2,901
Regulatory capital allocated	10,855	8.7	8.3	9,983

Relevant business indicators	31-12-22	Δ %	Δ % (1)	31-12-21
Performing loans and advances to customers under management (2)	77,291	25.5	25.3	61,588
Non-performing loans	753	(46.9)	(37.6)	1,417
Customer deposits under management (2)	47,270	26.2	25.6	37,445
Off-balance sheet funds (3)	1,750	33.2	62.5	1,314
Efficiency ratio (%)	28.1			30.9

(1) At constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds, customer portfolios and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. For the conversion of these figures in those countries in which accounting for hyperinflation is applied, the punctual exchange rate as of December 31, 2022 is used. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity in the year 2022 were:

- Lending activity (performing loans under management) continued to grow at double digit rates and accumulates a growth of 25.3%, with a positive performance in all geographical areas, except for Peru. Both Investment Banking & Finance (project finance and one-off corporate operations in the United States) and Global Transactional Banking, where Factoring and Confirming business showed a very positive dynamics, stand out.
- Customer funds increased by 26.6% thanks to the active management of the area, both in demand and time deposits. The deposits from the Group's wholesale customers continue to be a relevant lever for the BBVA's liquidity management.

Results

CIB generated a net attributable profit of €1,736m in 2022. These results, which do not include the application of hyperinflation accounting, represent an increase of 47.1% on a year-on-year basis, due to the growth in recurring income and NTI, which comfortably offset the higher expenses and provisions for impairment on financial assets. It should also be noted that all business lines of the CIB area recorded double-digit growth compared to the year 2021, both in revenues and net attributable profit.

The contribution by business areas, excluding the Corporate Center, to CIB's accumulated net attributable profit at the end of December 2022 was as follows: 25% Spain, 28% Mexico, 21% Turkey, 14% South America and 12% Rest of Business.

The most relevant aspects of the year-on-year evolution in the income statement of this aggregate are summarized below:

- Net interest income was 31.3% above the year 2021, with a good evolution in all business lines, highlighting the performance of Global Transactional Banking. This excellent result is due to the aforementioned good evolution of lending activity and the offer extension to our customers.
- Net fees and commissions recorded an increase of 20.0%, with positive evolution of all business lines, especially in Global Transactional Banking. Project finance operations and the good activity at guarantee scope stand out.
- NTI showed a good evolution (+50.1%), mainly due to the performance of the Global Markets unit, driven by the income from commercial activity in emerging markets and intraday trading in foreign exchange positions.
- Operating expenses increased by 13.4%, in a year-on-year comparison affected by the cost containment plans implemented by CIB in 2021, in addition to the high inflationary environment, although the area continues to focus its efforts on discretionary expenses management. Despite the aforementioned, the efficiency ratio stood at 28.1%, which is an improvement over the same period last year.
- Higher level of provisions for impairment on financial assets, with higher loan loss-provisions in Turkey.
- Finally, the provision and other results line recorded a negative result of €12m (-8.9% in year-on-year terms), highlighting in the year-on-year evolution the release of provisions for risks and contingent commitments made in the New York branch.

3.3 Subsequent events

On February 1, 2023, it was announced that a cash distribution for the amount of €0.31 gross per share in April as a final dividend for the year 2022 and the execution of a share buyback program of BBVA for an amount of €422 million were planned to propose to the corresponding corporate bodies for consideration, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before the inception of its execution (see Note 4 of the attached Consolidated Financial Statements).

In relation to the recent earthquake in Turkey, at these early stages, the Group is working on the definition of some emergency measures to help alleviate the effects of the humanitarian crisis caused by this catastrophe.

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 this consolidated financial statements and management report, no relevant impacts on the future continuity of the Group's operations and business in Turkey have been identified. However, it is not possible at this time to carry out a precise evaluation of the future impacts that may derive from this situation. Such impacts, if applicable, will be recorded in the Group's financial statements at 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.

4. Risk management

4.1. General risk management and control model

The BBVA Group has a general risk management and control model (hereinafter, the "Model") that is appropriate for its business model, its organization, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the management and risk control strategy and policy defined by the corporate bodies of BBVA (considering sustainability specifically) and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times.

The Model, for which the Group's Chief Risk Officer (CRO) is responsible and that must be updated or reviewed at least annually, is fully applied in the Group and it comprises the following basic elements:

– Governance and organization
– Risk Appetite Framework
– Assessment, monitoring and reporting
– Infrastructure.

The Group promotes the development of a risk culture that ensures a consistent application of the Model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

4.1.1 Governance & organization

The risk governance model in the BBVA Group is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

Thus, and as explained below, the corporate bodies are responsible for approving the risk strategy and the general policies for the different types of risks. Global Risk Management (hereinafter, GRM) and Regulation & Internal Control (including, among other areas, Non-Financial Risks) are the functions responsible for its implementation and development, with the appropriate reporting to corporate bodies.

Responsibility for day-to-day management of risks falls on business and corporate areas, the activities of which adhere to the general policies, regulation, infrastructures and controls that, based on the framework set by corporate bodies, are defined by GRM and Regulation & Internal Control in their corresponding areas of responsibility.

To carry out this work adequately, the financial risks function in the BBVA Group has been set up as a single, global function and independent from commercial areas.

The head of the financial risks function at an executive level, is the Group's Chief Risk Officer, who is appointed by the Board of Directors as a member of its senior management, and reports directly on the development of the corresponding functions to the corporate bodies. The Chief Risk Officer, for the best fulfilment of the functions, is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical and/or business areas.

In addition, and with regard to non-financial risks and internal control, the Group has a Regulation & Internal Control area independent from the rest of units and whose head (Head of Regulation & Internal Control) is also appointed by the Board of Directors of BBVA and reports directly to corporate bodies on the performance of its functions. This area is responsible for proposing and implementing non-financial risks policies and the Internal Control Model of the Group, and it is composed by, among other, the Non-Financial Risks, Regulatory Compliance and Risk Internal Control units.

The Risk Internal Control unit, within the Regulation & Internal Control area and, therefore, independent from the financial risks function (GRM), acts as a control unit for the activities carried out by GRM. In this regard, and without prejudice to the functions performed in this regard by the Internal Audit area, Risk Internal Control checks that the regulatory framework, the models and processes and established measures are sufficient and appropriate for each type of financial risk. It also monitors its implementation and operation, and confirms that those decisions taken by GRM are taken independently from the business lines and, in particular, that there's an adequate segregation of functions between units.

Governance and organizational structure are basic pillars for ensuring an effective risk management and control. This section summarizes the roles and responsibilities of the corporate bodies in the risks area, of the Group's Chief Risk Officer and, in general, of the risks function, its interrelation and the parent-subsidiary relationship model in this area and the group of committees, in addition to the Risk Internal Control unit.

Corporate Bodies of BBVA

According to the corporate governance system of BBVA, the Board of Directors of the Bank has certain reserved competencies, concerning management, through the implementation of the corresponding most relevant decisions, and concerning supervision and control, through the monitoring and supervision of implemented decisions and management of the Bank.

In addition, to ensure adequate performance of the management and supervision functions of the Board of Directors, the corporate governance system contemplates the support activity carried out by the Risk and Compliance Committee (CRC), as well as by other committees that assist the Board. for reasons of speciality of the matter, in accordance with the functions established in its own regulations.

With regard to risks, the Board of Directors' competencies are those relating to establishing the policy for controlling and managing risk and the oversight and control of its implementation.

In carrying out these functions, the Board relies on the Risk and Compliance Committee, which monitors the evolution of all the Group's financial and non-financial risks, with a global and transversal vision, and their degree of adequacy with the defined strategies and policies and the Group's Risk Appetite Framework. Added to this are the functions regarding specific non-financial risks that, due to their speciality, the Board has assigned to other committees, such as: (i) non-financial risks of an accounting, tax and reporting nature, by the Audit Commission; (ii) technological and cybersecurity risks, by the Technology and Cybersecurity Commission; and (iii) reputational and business risks, by the Permanent Delegate Committee, which thus complement the overall supervision of the Group's set of financial and non-financial risks carried out by the Risk and Compliance Committee, for which purpose It coordinates between the different Board committees through different reports, in addition to the cross composition of the Board committees.

The involvement of the corporate bodies of BBVA in the control and management of the risks of the Group is detailed below:

Board of Directors

The Board of Directors is responsible for establishing the risk strategy of the Group and, in this role, it determines the control and risk management policy, through the following documents:

- The Risk Appetite Framework of the Group, which includes in the one hand the risk appetite statement of the Group, that is, the general principles governing the risk strategy of the Group and its target profile; and, on the other hand, and based on the above mentioned risk appetite statement, a set of quantitative metrics (core metrics, and their corresponding statements, and by type of risk metrics), reflecting the risk profile of the Group;
- the framework of management policies of the different types of risk to which the Bank is or could be exposed, which contain the basic lines for managing and controlling risks in a uniform way across the Group and consistently with the Model and Risk Appetite Framework;
- and the General risk management and control model described above.

All of the above in coordination with the rest of prospective-strategic decisions of the Bank, which includes the Strategic Plan, the Annual Budget, the Capital Plan and the Liquidity & Funding Plan, in addition to the rest of management objectives, whose approval is a responsibility of the Board of Directors.

In addition to defining the risk strategy, the Board of Directors (in the performance of its risks monitoring, management and control tasks) also monitors the evolution of the risks of the Group and of each main geographical and/or business area, ensuring compliance with the Risk Appetite Framework of the Group; and also supervising the internal information and control systems.

For the development of all these functions, the Board of Directors is supported by the CRC and the CDP, which are responsible for the functions detailed below.

Risk and Compliance Committee

The CRC is, according to its own charter, composed of non-executive directors and its main purpose is to assist the Board of Directors on the establishment and monitoring of the risk control and management policy of the Group.

For this purpose, it assists the Board of Directors in a variety of risk control and monitoring areas, in addition to its analysis functions, based on the strategic pillars established at all times by both the Board of Directors and the CDP, the proposals on the strategy, control and risk management of the Group, which are particularly specified in the Risk Appetite Framework and in the “Model”. After the analysis, the Risk Appetite Framework and Model proposal is submitted to the Board of Directors for consideration and, where appropriate, approval purposes.

In addition, the CRC proposes, in a manner consistent with the Risk Appetite Framework of the Group approved by the Board of Directors, the control and management policies of the different risks of the Group, and supervises the information and internal control systems.

With regard to the monitoring of the evolution of the risks of the Group and their degree of compliance with the Risk Appetite Framework and defined general policies, and without prejudice to the monitoring task carried out by the Board of Directors and the CDP, the CRC carries out monitoring and control tasks with greater frequency and receives information with a sufficient granularity to achieve an adequate performance of its duties.

The CRC also analyzes all measures planned to mitigate the impact of all identified risks, should they materialize, which must be implemented by the CDP or the Board of Directors, as the case may be. The CRC also monitors the procedures, tools and measurement indicators of those risks established at a Group level in order to have a comprehensive view of the risks of BBVA and its Group, and monitors compliance with the regulation and supervisory requirements in terms of risks.

The CRC is also responsible for analyzing those project-related risks that are considered strategic for the Group or corporate transactions that are going to be submitted to the Board of Directors of the CDP, within its scope of competence.

In addition, it contributes to the setting of the remuneration policy, checking that it is compatible with an appropriate and effective management of risks and that it does not provide incentives to take risks breaching the level tolerated by the Bank.

Lastly, the CRC ensures the promotion of the risk culture in the Group.

In 2022, the CRC has held 22 meetings.

Executive Committee

In order to have a comprehensive and complete vision of the progress of the Group's business and its business units, the CDP monitors the evolution of the risk profile and the core metrics defined by the Board of Directors, being aware of any potential deviation or breach of the metrics of the Risk Appetite Framework and implementing, when applicable, the appropriate measures, as explained in the Model.

In addition, the CDP is responsible for proposing the basis for developing the Risk Appetite Framework, which will be established in coordination with the rest of prospective/strategic decisions of the Bank and the rest of management objectives.

Lastly, the CDP is the committee supporting the Board of Directors in decisions related to business risk and reputational risk, according to the dispositions set out in its own charter.

In addition, to ensure adequate performance of the management and supervision functions of the Board of Directors, the corporate governance system contemplates the existence of different committees, which assist the Board of Directors in matters that are within its competence, in accordance with the specific regulations of each committee, having established a coordinated work scheme between these corporate bodies.

In terms of risks, the Board of Directors has reserved the powers related to the determination of the risk management and control policy and the supervision and control of its implementation.

BBVA has an internal control model that is structured into three differentiated levels (“lines of defense”), which constitute the organizational structure of the Group's internal control model, whose objective is the integral management of the risk life cycle; all this, in accordance with the best practices developed both in the "Enterprise Risk Management - Integrated Framework" of COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in the "Framework for Internal Control Systems in Banking Organizations" prepared by the Bank Basel International Settlements (BIS):

- First line of defence: made up of the business, transformation and support areas that report to the Chairman and the CEO, who are in charge of managing operational risks (including process efficiency) in the daily operations of the Bank.
- Second line of defence: made up of the different units that make up the Regulation and Internal Control Area (with the exception of the Relations with Supervisors and Regulation units), whose functions include (i) designing and maintaining the the Group's Operational Risk management model, and to assess the degree of application in the scope of the different Areas; and (ii) define the General Framework for Mitigation, Control and Monitoring in its area of expertise and compare it with that implemented by the first line. Additionally, the Responsible Business Unit is in charge of reputational risk management, in coordination with the Group's internal control model in those cases in which it derives from operational events.
- Third line of defence: performed by the Internal Audit Area, which: (i) carries out an independent review of the control model, verifying compliance and the effectiveness of the established general policies; and (ii) provides independent information on the control environment to the Corporate Assurance Committees.

The Board, with the support of its Committees, supervises the effectiveness of the internal control model through periodic reports from those responsible for the different lines of defence. In particular, the heads of the Internal Regulation and Control and Internal Audit areas report at least quarterly to the Board of Directors on the most relevant issues of their control activity; and, in addition, they report monthly to the Risk and Compliance Committee and the Audit Committee, respectively, and with a greater level of detail, on the operation of the internal control model and on the independent reviews carried out of the different Bank processes. All of this is based on the annual plans for each of these functions, which are approved by the respective Board Committees and where the review of processes related to climate change risk and other sustainability issues is expressly incorporated.

Parent-subsidiary risk relationship model

In accordance with the provisions of the BBVA Group's General Corporate Governance Policy, for integrated management and supervision in the Group, the Group has a common management and control framework, consisting of basic guidelines (including strategic-prospective decisions) and General Policies, established by BBVA's corporate bodies for the Group.

For the purpose of transferring the risk strategy and its management and control model to the different subsidiaries of the BBVA Group and their corresponding specific risk units, a parent-subsidiary relationship model has been designed within the scope of risk management and control in the BBVA Group.

This relationship model implies a minimum catalog of decisions that must be adopted by the corporate bodies of the subsidiaries in terms of risks in order to provide them with an adequate governance model coordinated with the parent company. It will be the responsibility of the head of the Risk function (GRM) of each subsidiary to formulate the proposals that proceed to the corresponding corporate body for its consideration and, where appropriate, approval, according to the scope of functions that apply.

The approval of these decisions by the corporate bodies of the subsidiaries obliges the risk units of the geographical areas to carry out a risk monitoring and control plan before their corporate bodies.

Notwithstanding the foregoing, it is considered necessary that certain decisions regarding risks reserved for the consideration of the corresponding corporate bodies of the subsidiary for their approval, are also subject to the approval of the corporate bodies of BBVA, in accordance with what is established regulations at all times.

In the specific case of BBVA, S.A., what is described in this document regarding the coordination of the local risk management function with the risk function of the parent company BBVA, S.A. is applicable (as in any subsidiary of the Group). And with regard to the decisions that the corporate bodies of the subsidiaries must adopt, in this case it is the responsibility of the head of the Risk function of BBVA, S.A. (GRM) formulate the proposals that proceed to the corresponding corporate body for its consideration and, where appropriate, approval, according to the scope of functions that apply.

Chief Risk Officer of the Group

The Group's Chief Risk Officer (CRO) is responsible for the management of all the financial risks of the Group with the necessary independence, authority, rank, experience, knowledge and resources. The CRO is appointed by the Board of Directors of BBVA and has direct access to its corporate bodies (Board of Directors, CDP and CRC), with the corresponding regular reporting on the risk situation in the Group.

The GRM area has a responsibility as the unit transversal to all the businesses of the BBVA Group. This responsibility is part of the structure of the BBVA Group, which is formed by subsidiaries based in different jurisdictions, which have autonomy and must comply with their local regulations, but always according to the risk management and control scheme designed by BBVA as the parent company of the BBVA Group.

The Chief Risk Officer of the BBVA Group is responsible for ensuring that the risks of BBVA Group, within the scope of its functions, are managed according to the established model, assuming, among other, the following responsibilities:

- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the risk strategy of the BBVA Group, which includes the Risk Appetite statement of the BBVA Group, core (and their respective statements) and by type of risk metrics, and the Model.
- Ensure the necessary coordination to define and prepare the proposals for the Appetite Framework of the Group companies, and make sure they are applied correctly.
- Define, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the general policies for each type of risk within its scope of responsibility and, as part these, to establish the required specific regulation.
- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose for approval, or approving if within its competence, the risk limits for the geographical areas, business areas and/or legal entities, which shall be consistent with the defined Risk Appetite Framework; it is also responsible for the monitoring, supervision and control of risk limits within its scope of responsibility.
- Submit to the Risk and Compliance Committee the information required to carry out its supervisory and control functions.
- Regular reporting to the corresponding corporate bodies on the situation of those risks of the BBVA Group within its scope of responsibility.
- Identify and assess the material risks faced by the BBVA Group within its scope of responsibility, with an effective management of those risks and, where necessary, with the implementation of the required mitigation measures.
- Early warning to the relevant corporate bodies and the Chief Executive Officer of any material risk within its scope of responsibility that could compromise the solvency of the BBVA Group.
- Ensure, within its scope of responsibility, the integrity of measurement techniques and management information systems and, in general, the provision of models, tools, systems, structures and resources to implement the risk strategy defined by the corporate bodies.
- Promote the risk culture of the BBVA Group to ensure the consistency of the Model in the different countries where it operates, strengthening the cross-cutting model of the risks function.

For decision-making, the Group's Chief Risk Officer has a governance structure for the role that culminates in a support forum, the Global Risk Management Committee (GRMC), which is established as the main executive-level committee on the risks within its remit. Its purpose is to develop the strategies, policies, regulations and infrastructures needed to identify, assess, measure and manage the material risks within its remit that the Group faces in its business activity. This committee is composed by the Chief Risk Officer, who chairs the meetings, and the heads of the Corporate Area of the disciplines of GRM, the "Risk Strategy, Development & BEX", "Strategy and Development", "South America and Turkey", and "Risk Internal Control"; and by the heads of GRM in the three most important geographical units and in CIB. The purpose of the GRMC is to propose and challenge, among other issues, the internal regulatory framework of GRM and the infrastructures required to identify, assess, measure and manage the risks faced by the Group in carrying out its businesses and to approve risk limits.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: It is responsible for analyzing and making decisions related to wholesale credit risk admission in specific customer segments of BBVA Group, as well as being informed of the relevant decisions adopted by members of the committee within their scope of decision-making at corporate level.
- Work Out Committee: Its purpose is to analyze and make decisions regarding the admission of wholesale credit risks of customers classified in Watch List, doubtful risk or write-offs in accordance with the criteria established in the Group, as well as to be informed of the decisions adopted by the person in charge of the Work Out process in its area of responsibility; it will also include the approval of proposals on entries, exits and modifications in Watch List, entries and exits in doubtful, unlikely to pay and pass to write-offs; as well as the approval of other proposals that must be seen in this Committee according to the established thresholds and criteria.
- *Global Portfolio Management Committee*: The executive authority responsible for managing the limits by asset class for credit risk, equities and real estate not for own use, structural risks, insurance and pension risk and asset management; and by business area and at group level established in the risk limits planning exercise, which aims to achieve an optimal combination and composition of portfolios under the restrictions imposed by the Risk Appetite Framework, which allows maximizing the risk- adjusted return on regulatory and economic capital when appropriate. Additionally, it takes into account the concentration and asset quality objectives of the portfolio, as well as the prospects and strategic needs of the the BBVA Group.
- Risk Models Management Committee: It ensures an appropriate decision-making process regarding the planning, development, implementation, use, validation and monitoring of the models required to achieve an appropriate management of the Model Risk in the BBVA Group.
- Global Market and Counterparty Risk Committee: its purpose is to formalize, supervise and communicate the trading risk monitoring in all Global Markets business units, as well as coordinating and approving the key decisions of the Market and Counterparty Risk activity. It is also responsible for the analysis and decision making (opinion on the risk profile of the proposal, the mitigants and the risk-return ratio) with respect to the most relevant transactions in the different geographies in which Global Markets is present.
- Retail Credit Risk Committee: it ensures for the analysis, discussion and decision support on all issues regarding the retail credit risk management that impact or potentially do in the practices, processes and corporate metrics established in the General Policies, Rules and Operating Frameworks.

Also:

- GRM Continuity Committee: this committee operates under the provisions of the Corporate Continuity Committee for the different Areas. Its purpose is to analyze and make decisions about exceptional crisis situations, with the aim of managing continuity and the restoration of critical GRM processes, minimizing the impact of its operations through the Continuity Plan, which covers crisis management and Recovery Plans.

- The Corporate Committee for Admission of Operational Risk and Product Governance (CCAROyGP) aims to ensure the adequate evaluation of initiatives with significant operational risk (new business, product, outsourcing, process transformation, new systems, etc.) from the perspective of operational risk and approval of the proposed control environment.

Risk units of the corporate area and the business/geographical areas

The risks function is comprised of risk units from the corporate area, which carry out cross-cutting functions, and of risk units of the geographical/business areas.

- The risk units of the corporate area develop and submit to the Group's Chief Risk Officer the different elements required to define the proposal for the Group's Risk Appetite Framework, the general policies, the regulation and global infrastructures within the operating framework approved by corporate bodies; they ensure their application and report directly or through the Group's Chief Risk Officer to the corporate bodies of BBVA. With regard to non-financial risks and reputational risk, which are entrusted to the Regulation & Internal Control and Communications areas respectively, the corporate units of GRM will coordinate, with the corresponding corporate units of those areas, the development of the elements that should be integrated into the Appetite Framework of the Group.

- The risk units of the business and/or geographical areas develop and submit to the Chief Risk Officer of the geographical and/or business areas the Risk Appetite Framework proposal applicable in each geographical and/or business area, independently and always according to the Group's Risk Appetite Framework. In addition, they ensure the application of general policies and the rest of the internal regulations, with the necessary adaptations, when applicable, to local requirements, providing the appropriate infrastructures for risk management and control purposes, within the global risk infrastructure framework defined by the corporate areas, and reporting to the corresponding corporate bodies and senior management, as applicable. With regard to Non-financial risks, which are integrated in the Regulation & Internal Control area, the local risk units will coordinate, with the unit responsible for those risks, the development of the elements that should be integrated into the local Risk Appetite Framework.

Thus, the local risk units work with the risk units of the corporate area with the aim of adapting themselves to the risk strategy at Group level and pooling all the information required to monitor the evolution of their risks.

As previously mentioned, the risks function has a decision-making process supported by a structure of committees, and also a top-level committee, the GRMC, whose composition and functions are described in the section "Chief Risk Officer of the Group."

Each geographical and/or business area has its own risk management committee(s), with objectives and contents similar to those of the corporate area. These committees perform their duties consistently and in line with general risk policies and corporate rules, and its decisions are reflected in the corresponding minutes.

Under this organizational scheme, the risks function ensures the integration and application throughout the Group of the risk strategy, the regulatory framework, the infrastructures and standardized risk controls. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and conveys the corporate risk culture to the Group's different levels. Moreover, this organization enables the risks function to conduct and report to the corporate bodies an integrated monitoring and control of the risks of the entire Group.

Chief Risk Officers of geographical and/or business areas

The risks function is cross-cutting, i.e. it is present in all of the Group's geographical and/or business areas through specific risk units. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within the relevant scope of responsibility, carries out risk management and control functions and is responsible for applying the Model, the general policies and corporate rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and with the subsequent reporting to local corporate bodies.

The Chief Risk Officers of the geographical and/or business areas have functional reporting to the Group's Chief Risk Officer and hierarchical reporting to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risks function from the operational functions and enable its alignment with the Group's general policies and goals related to risks.

Risk Internal Control

The Group has a specific Risk Internal Control unit, within the Regulation & Internal Control area, that, among other tasks, independently challenges and control the regulation and governance structure in terms of financial risks and its implementation and deployment in GRM, in addition to the challenge of the development and implementation of financial risks control and management processes. It is also responsible for the validation of risk models.

For this purpose, it has 3 subunits: RIC-Processes, Risks Technical Secretariat and Risk Internal Validation.

- RIC-Processes. It is responsible for challenging an appropriate development of the functions of GRM units, and for reviewing that the functioning of financial risk management and control processes is appropriate and in line with the corresponding regulation, identifying potential opportunities for improvement and contributing to the design of the action plans to be implemented by the responsible units. In addition, it is the Risk Control Specialist (RCS) in the Group's Internal Control Model and, therefore, establishes the general mitigation and control frameworks for its risk area and contrasts them with those actually implemented.
- Risks Technical Secretariat. It is responsible for the definition, design and management of the principles, policies, criteria and processes through which the regulatory risk framework is developed, processed, reported and disclosed to the countries; and for the coordination, monitoring and assessment of its consistency and completeness. In addition, it coordinates the definition and structure of the most relevant GRM Committees, and monitors their proper functioning, in order to ensure that all risk decisions are taken through an adequate governance and structure, ensuring their traceability. It also provides to the CRC the technical support required in terms of financial risks for a better performance of its functions.
- Risk Internal Validation. It is responsible for validating the risks models. In this regard, it effectively challenges the relevant models used to manage and control the risks faced by the Group, as an independent third party from those developing or using the models in order to ensure its accuracy, robustness and stability. This review process is not restricted to the approval process, or to the introduction of changes in the models; it is a plan to make a regular assessment of those models, with the subsequent issue of recommendations and actions to mitigate identified weaknesses.

The Head of Risk Internal Control of the Group is responsible for the function and reports about his activities and work plans to the Head of Regulation & Internal Control and to the CRC, with the corresponding support in the issues required, and, in particular, challenging that GRM's reports submitted to the Committee are aligned with the criteria established at the time.

In addition, the risk internal control function is global and transversal, it includes all types of financial risks and has specific units in all geographical and/or business areas, with functional reporting to the Head of Risk Internal Control of the Group.

The Risk Internal Control function must ensure compliance with the general risks strategy defined by the Board of Directors, with adequate proportionality and continuity. In order to comply with the control activity within its scope. Risk Internal Control is member of GRM's top-level committees (sometimes even assuming the Secretariat role), independently verifying the decisions that may be taken and, specifically, the decisions related to the definition and application of internal GRM regulation.

Furthermore, the control activity is developed within a homogeneous methodological framework at a Group level, covering the entire life cycle of financial risk management and carried out under a critical and analytical approach.

The Risk Internal Control team reports the results of its control function to the corresponding heads and teams, promoting the implementation of corrective measures and submitting these assessments and the resolution commitments in a transparent manner to the established levels.

Lastly, and notwithstanding the control responsibility that GRM teams have in the first instance, Risk Internal Control teams promote a control culture in GRM, conveying the importance of having robust processes.

4.1.2 Risk appetite framework

Elements and development

The Group's Risk Appetite Framework approved by the corporate bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives considering the organic evolution of business. These are expressed in terms of solvency, liquidity and funding, and profitability, as well as recurrence of revenue, which are reviewed not only periodically but also if there are any substantial changes in the business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk appetite statement: sets out the general principles of the Group's risk strategy and the target risk profile:

  "The BBVA Group develops a multichannel and responsible universal banking business model, based on values, committed to sustainable development and centred on our customers' needs, focusing on operational excellence and the preservation of adequate security and business continuity.

  BBVA intends to achieve these goals while maintaining a moderate risk profile, so the risk model established aims at ensuring a robust financial position, facilitating its commitment with sustainability and obtaining a sound risk- adjusted profitability throughout the cycle, as the best way to face adverse environments without jeopardizing its strategies.

  BBVA Group's risk management is based on prudent management, and a comprehensive and prospective vision of all risks, to allow us to adapt to the disruptive risks inherent in the banking business. It includes the climate factor, a diversification of portfolios by geographies, asset classes and customer segments, prevention of money laundering and terrorist financing, and the maintenance of a long-term relationship with customers, supporting them in the transition to a sustainable future, to promote profitable growth and recurring generation of value."
- Statements and core metrics: Statements are established, based on the risk appetite statement, specifying the general principles of risk management in terms of solvency, liquidity and funding, profitability and income recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement. Each core metric has three thresholds ranging from usual management of the businesses to higher levels of impairment:
  - Management benchmark: a benchmark that determines a comfortable management level for the Group.
  - Maximum appetite: the maximum level of risk that the Group is willing to accept in its ordinary activity.
  - Maximum capacity: the maximum risk level that the Group could assume, which for some metrics is associated with regulatory requirements.
- Metrics by type of risk: based on the core metrics and their thresholds, a number of metrics are determined for each type of risk, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite threshold.

In addition to this Framework, statements are established that include the general principles for each risk type, as well as a level of management limits that is defined and managed by the areas responsible for the management of each type of risk in order to ensure that the early management of risks complies with the established Risk Appetite Framework.

Each significant geographical area (that is, those representing more than 1% of the assets or operating income of the BBVA Group) has its own Risk Appetite framework, consisting of its local Risk Appetite statement, core statements and metrics, and metrics by type of risk, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding corporate bodies of each entity. This Appetite Framework is supplemented by statements for each risk type and has a limit structure in line and consistent with the above.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into, the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Moreover, and for the purposes of monitoring at local level, the Chief Risks Officer of the geographical and/or business area regularly reports on the evolution of the metrics of the Local Risk Appetite Framework to the corporate bodies, as well as to the relevant top-level local committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

Within the issuing process of the Risk Appetite Framework, Risk Internal Control carries out, within the scope of the GRM area the effective challenge of the Framework proposal prior to its escalation to corporate bodies, which is also documented, and it is extended to the approval of the management limits under which it is developed, also supervising its adequate approval and extension to the different entities of the Group. Likewise, in each significant geographical area, the local Risk Internal Control unit, working in the Risk Management Committee (hereinafter, RMC), carries out an effective challenge of the local Risk Appetite Framework prior to its escalation to local corporate bodies, which is also documented, and extended to the local approval process of the management limits.

Monitoring of the Risk Appetite Framework and management of breaches

So that corporate bodies can develop the risk functions of the Group, the heads of risks at an executive level will regularly report (more frequently in the case of the CRC, within its scope of responsibility) on the evolution of the metrics of the Risk Appetite Framework of the Group, with the sufficient granularity and detail, in order to check the degree of compliance of the risks strategy set out in the Risk Appetite Framework of the Group approved by the Board of Directors.

If, through the monitoring of the metrics and supervision of the Risk Appetite Framework by the executive areas, a relevant deviation or breach of the maximum appetite levels of the metrics is identified, that situation must be reported and, where applicable, the corresponding corrective measures must be submitted to the CRC.

After the relevant review by the CRC, the deviation must be reported to the CDP (as part of its role in the monitoring of the evolution of the risk profile of the Group) and to the Board of Directors, which will be responsible, when applicable, for implementing the corresponding executive measures, including the modification of any metric of the Risk Appetite Framework. For this purpose, the CRC will submit to the corresponding corporate bodies all the information received and the proposals prepared by the executive areas, together with its own analysis.

Notwithstanding the foregoing, once the information has been analyzed and the proposal of corrective measures has been reviewed by the CRC, the CDP may adopt, on grounds of urgency and under the terms established by law, measures corresponding the Board of Directors, but always reporting those measures to the Board of Directors in the first meeting held after the implementation for ratification purposes.

In any case, an appropriate monitoring process will be established (with a greater information frequency and granularity, if required) regarding the evolution of the breached or deviated metric, and the implementation of the corrective measures, until it has been completely redressed, with the corresponding reporting to corporate bodies, in accordance with its risks monitoring, supervision and control functions.

Integration of the Risk Appetite Framework into the management

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

1. The existence of a standardized set of regulations: the corporate risks area defines and proposes the general policies within its scope of action, and develops the additional internal regulation required for the development of those policies and the operating frameworks on the basis of which risk decisions must be adopted within the Group. The approval of the general policies for all types of risks is a responsibility of the corporate bodies of BBVA, while the rest of regulation is defined at an executive level according to the framework of competences applicable at any given time. The Risks units of the geographical and/or business areas comply with this regulation and performing, where necessary, the relevant adaptation to local requirements, in order to have a decision-making process that is appropriate at local level and aligned with the Group's policies.
2. Risk planning, which ensures the integration into the management of the Risk Appetite Framework through a cascade process established to set limits adjusted to the target risk profile. The Risks units of the corporate area and of the geographical and/or business areas are responsible for ensuring the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding, profitability, and recurrence of earnings.
3. A comprehensive management of risks during their life cycle, based on differentiated treatment according to their type.

4.1.3 Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting function at Group level. This function ensures that the model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the Board of Directors, even in adverse scenarios.

This process is integrated in the activity of the Risk units, both of the corporate area and in the geographical and/or business units, together with the units specialized in non-financial risks and reputational risk within the Regulation & Internal Control and Communications business areas respectively, in order to generate a comprehensive and single view of the risk profile of the Group.

This process is developed through the following phases:

1. Monitoring of the identified risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.
2. Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress testing scenarios (EU-wide stress testing).
3. Response to unwanted situations and proposals for redressing measures to the corresponding levels, in order to enable a dynamic management of the situation, even before it takes place.

4. Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
5. Reporting: complete and reliable information on the evolution of risks to corporate bodies and senior management, in accordance with the principles of accuracy, exhaustiveness, clarity and utility, frequency, and adequate distribution and confidentiality. The principle of transparency governs all the risk information reporting process.

4.1.4 Infrastructure

For the implementation of the Model, the Group has the resources required for an effective management and supervision of risks and for achieving its goals. In this regard, the Group's risks function:

1. Has the appropriate human resources in terms of number, ability, knowledge and experience. The profile of resources will evolve over time based on the specific needs of the GRM and Regulation & Internal Control areas, always with a high analytical and quantitative capacity as the main feature in the profile of those resources. Likewise, the corresponding units of the geographical and/or business areas have sufficient means from the resources, structures and tools perspective in order to achieve a risk management process aligned with the corporate model.
2. Develops the appropriate methodologies and models for the measurement and management of the different risk profiles, and the assessment of the capital required to take those risks.
3. Has the technological systems required to: support the Risk Appetite Framework in its broadest definition; calculate and measure the variables and specific data of the risk function; support risk management according to this Model; and provide an environment for storing and using the data required for risk management purposes and reporting to supervisory bodies.
4. Promotes adequate data governance, in accordance with the principles of governance, infrastructure, precision and integrity, completeness, promptness and adaptability, following the quality standards of the internal regulations referring to this matter.

Within the risk functions, both the profiles and the infrastructure and data shall have a global and consistent approach.

The human resources among the countries must be equivalent, within proportionality, ensuring a consistent operation of the risk function within the Group. However, they will be distinguished from those of the corporate area, as the latter will be more focused on the conceptualization of appetite frameworks, operating frameworks, the definition of the regulatory framework and the development of models, among other tasks.

As in the case of the human resources, technological platforms must be global, thus enabling the implementation of the Risk Appetite Framework and the standardized management of the risk life cycle in all countries.

The corporate area is responsible for deciding on the platforms and for defining the knowledge and roles of the human resources. It is also responsible for defining risk data governance.

The foregoing is reported to the corporate bodies of BBVA so they can ensure that the Group has the appropriate means, systems, structures and resources.

4.2 Credit risk

In addition to the significant macroeconomic challenges posed by the COVID-19 pandemic, the global economy is currently facing a number of exceptional challenges. Russia's invasion of Ukraine has caused significant disruption, instability and volatility in the world markets, as well as increased inflation (including contributing to further increases in oil, gas and other commodity prices and further affecting supply chains), and lower economic growth, which has additionally led to aggressive interest rate hikes by central banks that could affect the most leveraged companies, as well as strain the ability of individuals to pay.

In relation to the relief measures for customers affected by the pandemic, and in the second instance, affected by the economic effects derived from the war in Ukraine, in Spain and Peru, the possibility of carrying out extensions both in the maturity period as well as in the grace period in financing with public guarantees are still in force. In Spain, they can be requested by companies and self-employed from June 30, 2022, after the expiration of the Temporary State Aid Framework approved by the European Commission, and in Peru, the Decree was approved in May, with eligibility in this measure in place until June 30, 2023 after the extension of the initial period that ended on December 31, 2022. 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.

Regarding the direct exposure of the Group to Russia and Ukraine, this is limited for BBVA, although the Group has taken different measures aimed at reducing its impact, among which are the initial lowering of limits followed by the suspension of operations with Russia, the lowering of internal ratings and the inclusion of the country and its borrowers as impaired for subjective reasons.

However, the indirect risk is greater due to the activity of customers in the affected area or sectors. The economic effects are mainly shown through higher commodity prices, but also through financial and confidence channels, as well as a further deterioration of global supply chain issues.

Calculation of expected losses due to credit risk

In addition to the individualized and collective estimates of the expected losses and the macroeconomic estimates in accordance with what is described in IFRS 9, the estimate at the end of the quarter includes the effect on the expected losses of the macroeconomic forecasts' update, which considers the current global environment, which has been affected by the war in Ukraine, the evolution of interest rates, inflation rates or the prices of commodities.

Additionally, the Group can supplement the expected losses either by the consideration of additional risk drivers, the incorporation of sectorial particularities or that may affect a set of operations or borrowers, following a formal internal process established for the purpose.

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

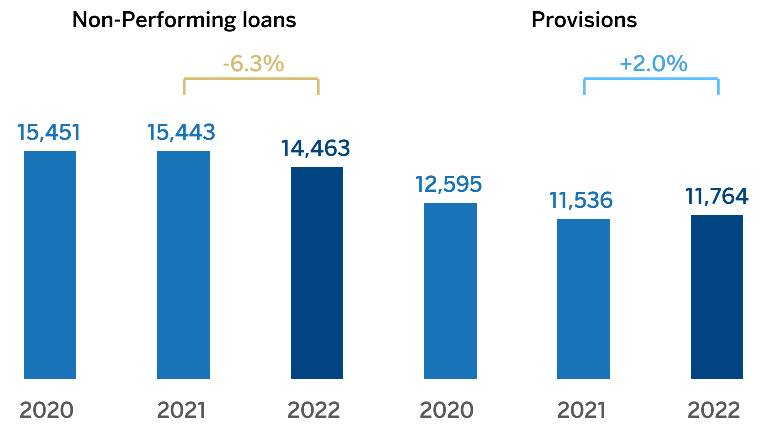
The complementary adjustments pending allocation to specific operations or clients as of December 31, 2022 totaled €302 million, of which €163 million correspond to Spain, €92 million to Mexico, €25 million to Peru, €11 million to Colombia, €5 million to Chile and €6 million to Rest of Business of the Group. 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) and Rest of Business of the Group, which could be more affected by the economic context of high inflation, interest rates or energy prices.

BBVA Group's credit risk indicators

The evolution of the Group's main credit risk indicators is summarized below:

- Credit risk declined by -1.0% (+2.6% at constant exchange rates) between October and December 2022, with an almost generalized growth, at constant exchange rates at Group level, although Spain was affected by the lower volume of corporate and investment banking operations.
- Reduction in the balance of non-performing loans at Group level between October and December 2022 (-4.6% in current terms and -1.4% at constant rates), positively affected by a non-performing loan portfolio sale in Spain and the foreign exchange rates evolution. Compared to the end of December 2021, the amount of non-performing loans decreased by 6.3% (-6.6% at constant exchange rates).

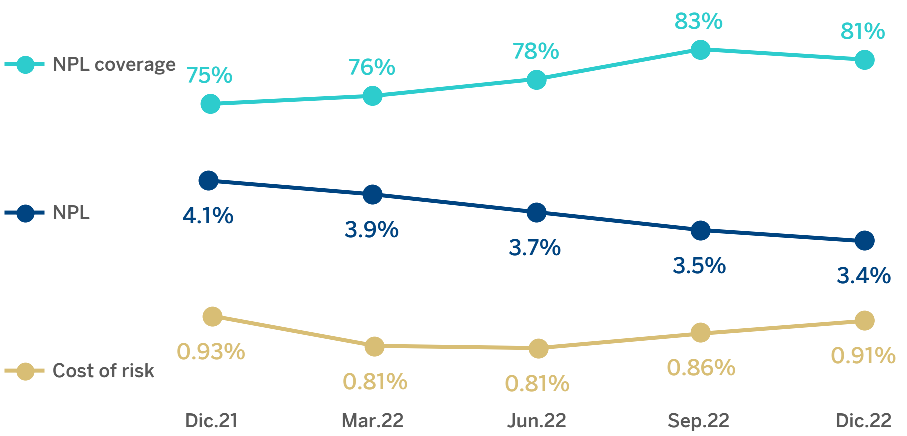
NON-PERFORMING LOANS AND PROVISIONS (MILLIONS OF EUROS)



General note: 2020 excludes BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

- The NPL ratio stood at 3.4% as of December 31, 2022, 13 basis points below the figure recorded in September 2022 and 70 basis points below the one of December 2021, with an improvement in this indicator in all business areas during the year.
- Loan-loss provisions decreased by 6.4% compared to the figure of the third quarter (+2.0% with respect to December 2021), mainly due to the foreign exchange evolution, and affected by the Spain's portfolio sale.
- The NPL coverage ratio stood at 81%, 156 basis points below the figure of September 2022 (664 basis points higher than at the end of 2021), mainly due to the evolution of the indicator in Spain, which includes the aforementioned impact of the portfolio sale.
- The cumulative cost of risk as of December 31, 2022 stood at 0.91%, higher than at the end of the third quarter of 2022 but still 2 basis points below the close of 2021, due to higher loan-loss provisions in the quarter for the macroeconomic scenario deterioration in the main geographical areas, coverage increase in those sectors and portfolios most vulnerable to the current environment, and recurring flows on normal (pre-pandemic) level.

NPL AND NPL COVERAGE RATIOS AND COST OF RISK (PERCENTAGE)



CREDIT RISK [(1)] (MILLIONS OF EUROS)

	31-12-22	30-09-22	30-06-22	31-03-22	31-12-21
Credit risk	**424,341**	**428,619**	**414,128**	**395,325**	**376,011**
Non-performing loans	14,463	15,162	15,501	15,612	15,443
Provisions	11,764	12,570	12,159	11,851	11,536
NPL ratio (%)	**3.4**	**3.5**	**3.7**	**3.9**	**4.1**
NPL coverage ratio (%) [(2)]	**81**	**83**	**78**	**76**	**75**

[(1)] Includes gross loans and advances to customers plus guarantees given.

(2) The NPL coverage ratio includes the valuation adjustments for credit risk throughout the expected residual life in those financial instruments that have been acquired (mainly originating from the acquisition of Catalunya Banc, S.A.). If these valuation corrections had not been taken into account, the NPL coverage ratio would have stood at 80% as of December 31, 2022 and 73% as of December 31, 2021.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	4Q22 [(1)]	3Q22	2Q22	1Q22	4Q21
Beginning balance	**15,162**	**15,501**	**15,612**	**15,443**	**14,864**
Entries	2,333	1,871	2,085	1,762	2,875
Recoveries	(1,171)	(1,595)	(1,697)	(1,280)	(1,235)
Net variation	**1,162**	**276**	**388**	**482**	**1,640**
Write-offs	(928)	(683)	(579)	(581)	(832)
Exchange rate differences and other	(933)	67	80	269	(228)
Period-end balance	**14,463**	**15,162**	**15,501**	**15,612**	**15,443**
Memorandum item:					
Non-performing loans	13,493	14,256	14,597	14,731	14,657
Non-performing guarantees given	970	906	904	881	786

[(1)] Preliminary data.

4.3 Market risk

For further information, see Note 7.4 of the Consolidated Financial Statements.

4.4 Structural risks

Liquidity and funding

Liquidity and funding management at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing. In this context, it is important to notice that, given the nature of BBVA's business, the funding of lending activity is fundamentally carried out through the use of stable customer funds.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution strategy: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity and funding (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

The BBVA Group maintains a solid liquidity position in every geographical area in which it operates, with ratios well above the minimum required:

- The BBVA Group's liquidity coverage ratio (LCR) remained comfortably above 100% throughout the year 2022, and stood at 159% as of December 31, 2022. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no type of excess liquidity levels in foreign subsidiaries is being considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 201%.

– The net stable funding ratio (NSFR), defined as the result between the amount of stable funding available and the amount of stable funding required, demands banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. The BBVA Group's NSFR ratio, stood at 135% as of December 31, 2022.

The breakdown of these ratios in the main geographical areas in which the Group operates is shown below:

LCR AND NSFR RATIOS (PERCENTAGE. 31-12-22)

	Eurozone (1)	Mexico	Turkey	South America
LCR	186%	199%	185%	All countries >100
NSFR	125%	143%	166%	All countries >100

(1) BBVA, S.A. liquidity management perimeter: Spain + branches of the outside network.

One of the key elements in BBVA's Group liquidity and funding management is the maintenance of large high quality liquidity buffers in all the geographical areas. In this respect, the Group has maintained for the last 12 months an average volume of high quality liquid assets (HQLA) accounting to €140.3 billion, among which, 95% correspond to maximum quality assets (LCR Tier 1).

It should be noted that the war in Ukraine has not had a significant impact on the liquidity and financing situation of the BBVA Group units during the year 2022. In addition to the above, the most relevant aspects related to the main geographical areas are the following:

- BBVA, S.A. has maintained a comfortable position with a large high-quality liquidity buffer. During the year 2022, commercial activity has generated liquidity due to the growth in customer deposits above that of lending activity, especially in the last quarter. In December, the Bank started to repay the TLTRO III program for an amount of €12 billion, corresponding to approximately one third of the total drawdown amount. BBVA's solid liquidity situation has allowed the Bank to bring forward a part of the maturities while maintaining, in any case, regulatory liquidity metrics well above the established minimums. At the same time, collateral generation activities have been carried out during the year with the issuance of mortgage and regional bonds to be retained for an amount of €2 billion and the creation of two new mortgage securitization funds, the first one for an amount of €12.4 billion, which groups the assets previously held in seven funds, generating an additional collateral of approximately €3 billion; and the second one for an amount of €1.4 billion.
- In BBVA Mexico, commercial activity has drained liquidity during 2022, supported by the growth in lending activity, that exceeded the growth of customer funds. Despite this, BBVA Mexico continues to hold a comfortable liquidity position, which has contributed to 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 deposits than in loans. The lending gap in foreign currency has increased due to reductions in deposits as a result of the mechanism established to encourage Turkish lira deposits, partially offset by lower loans in foreign currency. Garanti BBVA continues to maintain a stable liquidity position with comfortable ratios. 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, a greater growth in lending activity is shown, compared to the growth in funds, non-compromising the liquidity situation of the bank due to the increase in the collection of longer-term deposits. BBVA Peru maintains solid 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 is not having material impacts in terms of 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 the following issuances were made:

Type of issue	Date of issue	Nominal (millions)	Currency	Coupon	Early redemption	Maturity date
Senior non-preferred	Jan-22	1,000	EUR	0.875%	Jan-28	Jan-29
Senior preferred	May-22	1,250	EUR	1.750%	—	Nov-25
Senior preferred	May-22	500	EUR	Euribor 3M + 1%	—	Nov-25
Senior preferred	May-22	100	EUR	1.000%	—	May-24
Senior preferred	Jul-22	865	EUR	Euribor 3M + 0.7%	—	Jul-24
Senior non-preferred	Sep-22	1,000	USD	5.862%	Sep-25	Sep-26
Senior non-preferred	Sep-22	750	USD	6.138%	Sep-27	Sep-28
Senior preferred	Sep-22	1,250	EUR	3.375%	—	Sep-27
Senior preferred (green bond)	Oct-22	1,250	EUR	4.375%	—	Oct-29
Senior preferred	Oct-22	100	EUR	4.250%	—	Oct-34
Senior preferred (green bond)	Nov-22	215	CHF	2.408%	—	Nov-25
Senior preferred (green bond)	Nov-22	210	CHF	2.770%	—	Nov-28

Additionally, in May 2022, the preferred shares eventually convertible into common shares of BBVA (CoCos) issued by BBVA in May 2017 were redeemed early. In June 2022, a securitization of loans for the financing of vehicles was completed for an amount of €1,200m.

In January 2023 BBVA carried out two public bond issuance operations: a senior non-preferred bond for €1,000m with a term of 8 years and an early redemption option in the 7th year at 4.625% and a €1,500m mortgage bond with a term of 4 and a half years at 3.125%.

For its part, on June 21, BBVA Mexico issued a sustainable bond for 10 billion Mexican pesos (€480m, approximately), thus becoming the first private bank to carry out an issue of this type in Mexico, using the TIIE (Balanced Interbank Interest Rate used in Mexico) rate as benchmark.

Garanti BBVA renewed, on June 7, 100% of a syndicated loan indexed to environmental, social and corporate governance (ESG) criteria that consists of two separate tranches of USD 283.5m and €290.5m, both with a maturity of one year. On December 5, Garanti BBVA renewed the second part of a syndicated loan (USD 155m and €239m) with a ratio of 65% according to its strategy and in line with the banks of the peer group. The price was higher than the previous tranche due to market risk (E+400; SOFR 425). Garanti BBVA also provided sustainable funding of USD 75m in 2022.

Lastly, BBVA Colombia closed a financing with the International Finance Corporation (IFC) in November for USD 60m for a 3-year term. This operation joins the USD 200m for a 5-year term signed in June and the USD 40m for a 3-year term signed in September. The use of funds is applied to boost the financing and construction of energy-sustainable buildings and reduce CO_2 emissions, among others.

Foreign exchange

Foreign exchange risk management aims to reduce both the sensitivity of the capital ratios and the net attributable profit variability to currency fluctuations.

In relation to the hedging of the capital ratios, BBVA covers, in aggregate, 70% of its subsidiaries capital excess. The sensitivity of the Group's CET1 fully-loaded ratio to 10% depreciations in major currencies is estimated at: +19 basis points for the U.S. dollar, -5 basis points for the Mexican peso and -5 basis points for the Turkish lira. With regard to the hedging of results, BBVA hedges between 40% and 50% of the aggregate net attributable profit it expects to generate in the next 12 months. For each currency, the final amount hedged depends on its expected future evolution, the costs and the relevance of the incomes related to the Group's results as a whole.

Interest rate

Interest rate risk management seeks to limit the impact that BBVA may suffer, both in terms of net interest income (short-term) and economic value (long-term), from adverse movements in the interest rate curves in the various currencies in which the Group operates. BBVA carries out this work through an internal procedure, pursuant to the guidelines established by the European Banking Authority (EBA), in order to analyze the potential impact that could derive from a range of scenarios on the Group's different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Of particular relevance are assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates. These assumptions are reviewed and adapted at least once a year to take into account any changes in observed behavior.

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

Regarding relevant events in financial markets, the ECB, with the aim of curbing inflation, began the process of raising interest rates in July 2022, with a 250 basis points increase in the year. For its part, the FED accumulates 425 basis points increase in 2022. Although, additional increases are expected in 2023 (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively), since inflation remains at high levels. Regarding fixed-income markets, the valuations were affected by the strong general increase of the interest rates and the widening of risk premiums, in line with the inflation estimation, which is expected to continue above the reference levels. The Spanish and Italian debt spreads deteriorate with widening compared to the German curve, especially in Italy. With regard to Mexico and South America, similar flattening moves to those of the United States, continuing with the rate hikes cycle. For its part, Turkey has set the monetary policy rate at 9.0%, making successive cuts of 500 basis points between August and November of 2022.

By area, the main features are:

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

  On the other hand, as mentioned, at the end of December 2022 the ECB set the benchmark interest rate at 2.5%, held the marginal deposit facility rate at 2.0% and the marginal loan facility rate at 2.75%. Thus, the European benchmark interest rates (Euribor) showed significant increases in the year. In this regard, customer spread is starting to benefit from interest rate hikes, expected to continue in the coming quarters.
- Mexico continues to show a balance between fixed and variable interest rates balances, which represents a limited 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 the customer funds, the high proportion of non-interest bearing deposits should be highlighted, 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 improvement so far in 2022, favored by both the contained cost of deposits and the positive evolution of yield on loan.
- In Turkey, the sensitivity of loans, which are mostly fixed-rate but with relatively short maturities, and the ALCO portfolio balance the sensitivity of deposits on the liability side. The interest rate risk is thus limited, both in Turkish lira and in foreign currencies. However, the economic value risk increases 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 very low level of risk. Regarding the benchmark rates of the central banks of Peru and Colombia, they rose the interest rates by 500 and 900 basis points, respectively, in 2022. Customer spreads improved in Peru, impacted by an interest rates hikes environment, while falling in Colombia, affected by the highest increase in the cost of deposits derived from a faster liabilities repricing than assets repricing as a result of a sharp interest rates hikes.

INTEREST RATES (PERCENTAGE)

	31-12-22	30-09-22	30-06-22	31-03-22	31-12-21	30-09-21	30-06-21	31-03-21
Official ECB rate	2.50	1.25	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months (1)	2.06	1.01	(0.24)	(0.50)	(0.58)	(0.55)	(0.54)	(0.54)
Euribor 1 year (1)	3.02	2.23	0.85	(0.24)	(0.50)	(0.49)	(0.48)	(0.49)
USA Federal rates	4.50	3.25	1.75	0.50	0.25	0.25	0.25	0.25
TIIE (Mexico)	10.50	9.25	7.75	6.50	5.50	4.75	4.25	4.00
CBRT (Turkey)	9.00	12.00	14.00	14.00	14.00	18.00	19.00	19.00

(1) Calculated as the month average.

4.5 Risks associated with climate change

The risks related to climate change are considered as an additional factor which affects the risk categories already identified and defined in the BBVA Group and are therefore managed through the Groups risk management frameworks (credit, market, liquidity, operational and other non-financial risks). As a consequence, the BBVA Group's climate change risk-related is based on their incorporation into the currently processes and governance established, considering the regulation and supervisory trends.

The information on the management of risks associated with climate change required by Law 7/2021, of May 20, on climate change and energy transition, is described in the section "Index of contents of Law 07/2021" of the Chapter "Other information" of this report.

4.6 Operational Risk

BBVA defines operational risk ("OR") as any risk that could result in losses caused by human error; inadequate or flawed internal processes; undue conduct with respect to customers, markets or the institution; antimoney laundering and financing of terrorist activities; failures, interruptions or flaws in systems or communications; theft, loss or wrong use of information, as well as deterioration of its quality, internal or external fraud, including in any case those derived from cyberattacks; theft or harm to assets or persons; legal risks; risks derived from staff management and labor health; and defective service provided by suppliers; as well as damages from extreme climate events, pandemics and other natural disasters.

Operational risk management is oriented towards the identification of the root causes to avoid their occurrence and mitigate possible consequences. This is carried out through the establishment of control framework and monitoring and the development of mitigation plans aimed at minimizing resulting economic and reputational losses and their impact on the recurrent generation of results, and contributing the increase the quality, safety and availability of the provided service. Operational risk management is integrated into the global risk management structure of the BBVA Group.

This section addresses general aspects of operational risk management as the main component of non-financial risks. However, sections devoted to conduct and compliance risk and to cybersecurity risk management are also included in the non-financial information report.

Operational risk management principles

The BBVA Group is committed to preferably applying advanced operational risk management models, regardless of the capital calculation regulatory model applicable at the time. Operational risk management at the BBVA Group shall:

- Be aligned with the Risk Appetite Framework ratified by the BBVA Board of Directors.
- Address BBVA's management needs in terms of compliance with legislation, regulations and industry standards, as well as the decisions or positioning of BBVA's corporate bodies.
- Anticipate the potential operational risk to which the Group may be exposed as a result of the creation or modification of products, activities, processes or systems, as well as decisions regarding the outsourcing or hiring of services, and establish mechanisms to assess and mitigate risk to a reasonable extent prior to implementation, as well as review the same on a regular basis.
- Establish methodologies and procedures to enable regular reassessment of the significant operational risk to which the Group is exposed, in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while safeguarding the Group's solvency at all times.
- Promote the implementation of mechanisms that support careful monitoring of all sources of operational risk and the effectiveness of mitigation and control environments, fostering proactive risk management.
- Examine the causes of any operational events suffered by the Group and establish means to prevent the same, provided that the cost/benefit analysis so recommends. To this end, there are procedures in place to evaluate operational events and mechanisms that allow recording the operational losses that may be caused by the same.
- Evaluate key public events that have generated operational risk losses at other institutions in the financial sector and support, where appropriate, the implementation of measures as required to prevent them from occurring at the Group.
- Identify, analyze and attempt to quantify events with a low probability of occurrence and a high impact, which by their exceptional nature may not be included in the loss database; or if they are, feature with impacts that are not very representative for the purpose of valuing possible mitigation measures.
- Have an effective system of governance in place, where the functions and responsibilities of the corporate areas and bodies involved in operational risk management are clearly defined.
- Operational risk management must be performed in coordination with management of other risk, taking into consideration credit or market events that may have an operational origin.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Operational risk management parameters

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics and limits:

- Economic capital calculated with the operational losses database of the Group, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the Group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- ORI metrics (Operational Risk Indicator: operational risk losses vs. gross income) broken down by geography.
- Indicators by risk type: a more granular common scheme of metrics (indicators and limits) covering the main types of operational risk is being implemented throughout the Group. These metrics make it possible to intensify the anticipatory management of risk and objectify the appetite to different sources. These indicators are regularly reviewed and adjusted to fix the main risks in force at any time.

Operational risk admission

The main purposes of the operational risk admission phase are the following:

- To anticipate potential operational risk to which the Group may be exposed due to the release of new, or modification of businesses, products, activities, processes or systems or in relations with third parties (e.g. outsourcing).
- To ensure that implementation and the roll out of initiatives is only performed once appropriate mitigation measures have been taken in each case, including external assurance of risks where deemed appropriate.

The Corporate Non-Financial Risk Management Policy sets out the specific operational risk admission framework through different Operational Risk Admission and Product Governance Committees, both at a corporate and Business Area level, that follow a delegation structure based on the risk level of proposed initiatives.

Operational risk monitoring

The purpose of this phase is to check that the target operational risk profile of the Group is within the authorized limits. Operational risk monitoring considers 2 scopes:

- Monitoring the operational risk admission process, oriented towards checking that accepted risks levels are within the limits and that defined controls are effective.
- Monitoring the operational risk "stock" mainly associated with processes. This is done by carrying out a periodic re-evaluation in order to generate and maintain an updated map of the relevant operational risks in each Area, and evaluate the adequacy of the monitoring and mitigation environment for said risks. This promotes the implementation of action plans to redirect the weaknesses detected.

This process is supported by a corporate Governance, Risk & Compliance tool that monitors the operational risk at a local level and its aggregation at a corporate level.

In addition, and in line with the best practices and recommendations provided by the Bank for International Settlements (hereinafter, BIS), BBVA has procedures to collect the operational losses occurred both in the different entities of the Group and in other financial groups, with the appropriate level of detail to carry out an effective analysis that provides useful information for management purposes and to contrast the consistency of the Group's operational risks map. To that end, a corporate tool of the Group is used.

The Group ensures continuous monitoring by each Area of the due functioning and effectiveness of the control environment, taking into consideration management indicators established for the Area, any events and losses that have occurred, as well as the results of actions taken by the second line of defense, the internal audit unit, supervisors or external auditors.

Operational risk mitigation

The Group promotes the proactive mitigation of the non-financial risks to which it is exposed and which are identified in the monitoring activities.

In order to rollout common monitoring and anticipated mitigation practices throughout the Group, several cross-sectional plans are being promoted related to focuses from events, lived by the Group or by the industry, self-assessments and recommendations from auditors and supervisors in different geographies, thereby analyzing the best practices at these levels and fostering comprehensive action plans to strengthen and standardize the control environment.

Assurance of operational risk

Assurance is one of the possible options for managing the operational risk to which the Group is exposed, and mainly has two potential purposes:

- Coverage of extreme situations linked to recurrent events that are difficult to mitigate or can only be partially mitigated by other means.
- Coverage of non-recurrent events that could have significant financial impact, if they occurred.

The Group has a general framework that regulates this area, and allows systematizing risk assurance decisions, aligning insurance coverage with the risks to which the Group is exposed and reinforcing governance in the decision-making process of arranging insurance policies.

Operational risk control model

BBVA Group's operational risk governance model is based on two components:

- Three-line defense control model, in line with industry best practices, and which guarantees compliance with the most advanced operational risk internal control standards.
- Scheme of Corporate Assurance Committees and Internal Control and Operational Risk Committees at the level of the different business and support areas.

Corporate Assurance establishes a structure of committees, both at local and corporate level, to provide senior management with a comprehensive and homogeneous vision of the main non-financial risks and significant situations of the control environment.

(1) CA: Corporate Assurance

Each geographical area has a Corporate Assurance Committee chaired by the Country Manager and whose main functions are:

- Facilitate agile and anticipatory decision-making for the mitigation or assumption of the main risks.
- Monitoring the changes in the non-financial risks and their alignment with the defined strategies and policies and the risk appetite.
- Analyzing and assessing controls and measures established to mitigate the impact of the risks identified, should they materialize.
- Making decisions about the proposals for risk taking that are conveyed by the working groups or that arise in the Committee itself
- Promoting transparency by promoting the proactive participation of the three lines of defense in discharging their responsibilities and the rest of the organization in this area

At the holding level there is a Global Corporate Assurance Committee, chaired by the Group's Chief Executive Officer. Its main functions are similar to those already described but applicable to the most important issues that are escalated from the geographies and the holding company areas.

The business and support areas have an Internal Control and Operational Risk Committee, whose purpose is to ensure the due implementation of the operational risk management model within its scope of action and drive active management of such risk, taking mitigation decisions when control weaknesses are identified and monitoring the same.

Additionally, the Non-Financial Risk unit periodically reports the status of the management of non-financial risks in the Group to the Board's Risk and Compliance Committee.

4.7 Reputational risk

Reputational risk assessment of the activity in progress

Since 2016, BBVA disposes of a reputational risk assessment methodology. Through this methodology, the Bank defines and reviews regularly a map in which it prioritizes the reputational risks which have to be faced and the set of action plans to mitigate them. The prioritization is done based on two variables: the impact on the perception of the stakeholders and the strength of BBVA facing the risk.

This exercise is performed annually in all countries where the Group has bank entities. As a result of the assessment carried out in 2021, in 2022, 29 mitigation action plans were identified. The 17 plans identified in 2021 as a result of the evaluation of the 2021 financial year have already been concluded.

Reputational risk in new initiatives

The Reputation teams collaborate, together with the rest of the members of BBVA's second defense line, in the different Committees of Admission of the Operational Risk, both at Group and the different geographical areas level. Those Committees perform the initial identification of potential reputational risks and mitigation controls are proposed.,

Reporting of the Reputational risk

The results of the annual assessment of the Reputational Risk are reported in each geographical area at the appropriate governance level. At Group level, these results are reported to the Global Corporate Assurance Committee and, since 2020, to the Board's Executive Committee.

4.8 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 and further adjustments are expected to be announced in the coming months (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively), taking them up to around 5.0% in the first case and 3.75% in the case of the interest rates for refinancing operations in the Eurozone. The Group' s results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in funding costs. Further, increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of its counterparties.

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

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

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

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

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

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

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

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

Risks associated with pandemics such as the COVID-19

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

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

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

Regulatory and reputational risks

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

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

Business, operational and legal risks

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

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

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

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

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

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

As of December 31, 2022, the Group had €685 million in provisions for the proceedings it is facing (included in the line "Provisions for taxes and other legal contingencies" in the consolidated balance sheet) (see Note 24), of which €524 million correspond to legal contingencies and €161 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

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

Climate change risks

Climate change presents 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.

5. Other information

5.1. Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some Alternative Performance Measures (hereinafter APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en) as well as the statement published by the ESMA on May 20, 2020 (ESMA 32-63-972), about implications of the COVID-19 outbreak on the half-yearly financial reports. The first guideline mentioned before are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the aforementioned guideline, BBVA Group's APMs:

- Include clear and readable definitions of the APMs.
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items.
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuer.
- Do not have greater preponderance than measures directly stemming from financial statements.
- Are accompanied by comparatives for previous periods.
- Are consistent over time.

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro[47] in the most recent period for each currency of the geographical areas in which the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Reconciliation of the Financial Statements of the BBVA Group

Below is the reconciliation between the income statements of the Consolidated Financial Statements and the consolidated management income statement, for the years 2022, 2021 and 2020.

In 2022, the main difference between the two accounts is in the treatment of the impact of the purchase from Merlin of 100% of the shares of Tree, which in turn owns 662 offices in Spain. For management purposes, this impact is included in a single line, net of taxes, of the income statement called "Discontinued operations and Other", compared to the treatment in the Consolidated Financial Statements, which record the gross impact and its tax effect under the corresponding headings that are applicable to them.

In 2021, the main difference between them is the treatment of the cost related to the restructuring process carried out by the Group in 2021 which, for management purposes, are included in a single line, net of taxes, of the income statement called "Discontinued operations and Other", compared to the treatment in the consolidated Financial Statements, which record the gross impacts and their tax effect in the corresponding headings.

In 2020, the main difference between the two of them derives from the capital gains from the materialization of the agreement with Allianz in that year which, for management purposes, are included in a single line, net of taxes, of the income statement called "Discontinued operations and Other", compared to the treatment in the consolidated Financial Statements, which record the gross impacts and their tax effect in the corresponding headings that are applicable to them.

In addition, in both 2021 and 2020, there is a difference in the positioning of the results generated in 2021 and 2020 by BBVA USA and the rest of the companies sold to PNC on June 1, 2021. In the Consolidated Financial Statements, these results are included in the line "Profit (loss) after tax from discontinued operations" and are taken into account both for the calculation of the "Profit (loss) for the period" and for the profit (loss) "Attributable to the owners of the parent" whereas, for management purposes, they are not included in the "Profit (loss) for the period", as they are included below it, in the line "Discontinued operations and others", together with the aforementioned net restructuring costs for the year 2021 and the net capital gains from the agreement with Allianz for the year 2020, as can be seen in the reconciliation table for the years 2021 and 2020.

[47] With the exception of those countries whose economies have been considered hyperinflationary, for which the closing exchange rate of the most recent period will be used.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT		ADJUSTMENTS	MANAGEMENT INCOME STATEMENT	
	2022		2022	
NET INTEREST INCOME	**19,153**	**—**	**19,153**	**Net interest income**
Dividend income	123			(*)
Share of profit or loss of entities accounted for using the equity method	21			(*)
Fee and commission income	8,261		8,261	Fees and commissions income
Fee and commission expense	(2,907)		(2,907)	Fees and commissions expenses
	5,353	—	5,353	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	64			
Gains (losses) on financial assets and liabilities held for trading, net	562			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(67)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150			
Gains (losses) from hedge accounting, net	(45)			
Exchange differences, net	1,275			
	1,938	—	1,938	Net trading income
Other operating income	528			
Other operating expense	(3,438)			
Income from insurance and reinsurance contracts	3,103			
Expense from insurance and reinsurance contracts	(1,892)			
	(1,555)	—	(1,555)	Other operating income and expenses
GROSS INCOME	**24,890**	**—**	**24,890**	**Gross income**
Administration costs	(9,432)		(10,760)	Operating expenses (**)
Personnel expense	(5,612)	—	(5,612)	Personnel expenses
Other administrative expense	(3,820)	—	(3,820)	Other administrative expenses
Depreciation and amortization	(1,328)	—	(1,328)	Depreciation
	14,130	**—**	**14,130**	**Operating income**
Provisions or reversal of provisions	(291)	—	(291)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,379)	—	(3,379)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**10,460**	**—**	**10,460**	
Impairment or reversal of impairment of investments in joint ventures and associates	42			
Impairment or reversal of impairment on non-financial assets	(27)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(11)			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(108)			
	(104)	134	30	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**10,356**	**134**	**10,490**	**Profit (loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(3,529)	67	(3,462)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**6,827**	**201**	**7,028**	**Profit (loss) for the period**
Profit (loss) after tax from discontinued operations	—	—		
PROFIT (LOSS) FOR THE PERIOD	**6,827**	**201**	**7,028**	**Profit (loss) for the period**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(407)**	**—**	**(407)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,420**	**201**	**6,621**	**Net attributable profit (loss) excluding non-recurring impacts**
		(201)	(201)	Discontinued operations and Others
ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,420**	**—**	**6,420**	**Net attributable profit (loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements

(**) Depreciations included.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT	2021	ADJUSTMENTS	2021	MANAGEMENT INCOME STATEMENT
NET INTEREST INCOME	**14,686**	**—**	**14,686**	**Net interest income**
Dividend income	176			(*)
Share of profit or loss of entities accounted for using the equity method	1			(*)
Fee and commission income	6,997		6,997	Fees and commissions income
Fee and commission expense	(2,232)		(2,232)	Fees and commissions expenses
	4,765	—	4,765	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	134			
Gains (losses) on financial assets and liabilities held for trading, net	341			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	432			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	335			
Gains (losses) from hedge accounting, net	(214)			
Exchange differences, net	883			
	1,910	—	1,910	Net trading income
Other operating income	661			
Other operating expense	(2,041)			
Income from insurance and reinsurance contracts	2,593			
Expense from insurance and reinsurance contracts	(1,685)			
	(295)	—	(295)	Other operating income and expenses
GROSS INCOME	**21,066**	**—**	**21,066**	**Gross income**
Administration costs	(8,296)		(9,530)	Operating expenses (**)
Personnel expense	(5,046)	—	(5,046)	Personnel expenses
Other administrative expense	(3,249)	—	(3,249)	Other administrative expenses
Depreciation and amortization	(1,234)	—	(1,234)	Depreciation
	11,536	**—**	**11,536**	**Operating income**
Provisions or reversal of provisions	(1,018)	754	(264)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,034)	—	(3,034)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**7,484**	**754**	**8,238**	
Impairment or reversal of impairment of investments in joint ventures and associates	—			
Impairment or reversal of impairment on non-financial assets	(221)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	24			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(40)			
	(237)	240	2	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**7,247**	**994**	**8,240**	**Profit (loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(1,909)	(298)	(2,207)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**5,338**	**696**	**6,034**	**Profit (loss) for the period**
Profit (loss) after tax from discontinued operations	280	(280)		
PROFIT (LOSS) FOR THE PERIOD	**5,618**	**416**	**6,034**	**Profit (loss) for the period**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(965)**	**—**	**(965)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,653**	**416**	**5,069**	**Net attributable profit (loss) excluding non-recurring impacts**
		(416)	(416)	Discontinued operations and Others
ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,653**	**—**	**4,653**	**Net attributable profit (loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements

(**) Depreciations included.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT	2020	ADJUSTMENTS	2020	MANAGEMENT INCOME STATEMENT
NET INTEREST INCOME	**14,592**	**—**	**14,592**	**Net interest income**
Dividend income	137			(*)
Share of profit or loss of entities accounted for using the equity method	(39)			(*)
Fee and commission income	5,980		5,980	Fees and commissions income
Fee and commission expense	(1,857)		(1,857)	Fees and commissions expenses
	4,123	—	4,123	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	139			
Gains (losses) on financial assets and liabilities held for trading, net	777			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	208			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	56			
Gains (losses) from hedge accounting, net	7			
Exchange differences, net	359			
	1,546	—	1,546	Net trading income
Other operating income	492			
Other operating expense	(1,662)			
Income from insurance and reinsurance contracts	2,497			
Expense from insurance and reinsurance contracts	(1,520)			
	(95)	—	(95)	Other operating income and expenses
GROSS INCOME	**20,166**	**—**	**20,166**	**Gross income**
Administration costs	(7,799)		(9,088)	Operating expenses (**)
Personnel expense	(4,695)	—	(4,695)	Personnel expenses
Other administrative expense	(3,105)	—	(3,105)	Other administrative expenses
Depreciation and amortization	(1,288)	—	(1,288)	Depreciation
	11,079	**—**	**11,079**	**Operating income**
Provisions or reversal of provisions	(746)	—	(746)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(5,179)	—	(5,179)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**5,153**	**—**	**5,153**	
Impairment or reversal of impairment of investments in joint ventures and associates	(190)			
Impairment or reversal of impairment on non-financial assets	(153)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(7)			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	444			
	94	(435)	(341)	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**5,248**	**(435)**	**4,813**	**Profit (loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(1,459)	130	(1,328)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**3,789**	**(304)**	**3,485**	**Profit (loss) for the period**
Profit (loss) after tax from discontinued operations	(1,729)	1,729		
PROFIT (LOSS) FOR THE PERIOD	**2,060**	**1,424**	**3,485**	**Profit (loss) for the period**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(756)**	**—**	**(756)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,305**	**1,424**	**2,729**	**Net attributable profit (loss) excluding non-recurring impacts**
		(1,424)	(1,424)	Discontinued operations and Others
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,305**	**—**	**1,305**	**Net attributable profit (loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements

(**) Depreciations included.

Profit (loss) for the period

Explanation of the formula: the profit (loss) for the period is the profit (loss) for the period from the Group's consolidated income statement, which comprises the profit (loss) after tax from continued operations and the profit (loss) after tax from discontinued operations which, for the periods of 2021 and 2020, includes the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: this measure is commonly used, not only in the banking sectors, for homogeneous comparison purposes.

Profit (loss) for the period					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
(Millions of euros)	+	Profit (loss) after tax from continued operations	6,827	5,338	3,789
(Millions of euros)	+	Profit (loss) after tax from discontinued operations [1]	—	280	(1,729)
	=	**Profit (loss) for the period**	**6,827**	**5,618**	**2,060**

[1] January-December 2021 only includes the results generated by BBVA USA and the rest of the companies in the United States included in the agreement until its sale to PNC as of June 1, 2021.

Adjusted profit (loss) for the period (excluding non-recurring impacts)

Explanation of the formula: the adjusted profit (loss) for the period is the profit (loss) from continued operations for the period from the Group's consolidated income statement, excluding those non-recurring impacts that, for management purposes, are defined at any given moment. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: this measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit (loss) for the period					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
(Millions of euros)	+	Profit (loss) after tax from continued operations	6,827	5,338	3,789
(Millions of euros)	-	Net capital gains from the bancassurance transaction	—	—	304
(Millions of euros)	-	Net cost related to the restructuring process	—	(696)	—
(Millions of euros)	-	Net impact arisen from the purchase of offices in Spain	(201)	—	—
	=	**Adjusted profit (loss) for the period**	**7,028**	**6,034**	**3,485**

Net attributable profit (loss)

Explanation of the formula: the net attributable profit (loss) is the net attributable profit (loss) of the Group's consolidated income statement from continued operations and the profit (loss) after tax from discontinued operations which, for the periods of 2021 and 2020, includes the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: this measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Net attributable profit (loss)					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
(Millions of euros)	+	Net attributable profit (loss) from continued operations	6,420	4,373	3,033
(Millions of euros)	+	Net attributable profit (loss) from discontinued operations [1]	—	280	(1,729)
	=	**Net attributable profit (loss)**	**6,420**	**4,653**	**1,305**

[1] January-December 2021 only includes the results generated by BBVA USA and the rest of the companies in the United States included in the agreement until its sale to PNC as of June 1, 2021.

Adjusted net attributable profit (loss) (excluding non-recurring impacts)

Explanation of the formula: the adjusted net attributable profit (loss) is the net attributable profit (loss) of the Group's consolidated income statement from continued operations excluding those non-recurring impacts that, for management purposes are defined at any given moment. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: this measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit (loss)					
			Jan.-Dec.2022	**Jan.-Dec.2021**	**Jan.-Dec.2020**
(Millions of euros)	+	Net attributable profit (loss) from continued operations	6,420	4,373	3,033
(Millions of euros)	-	Net capital gains from the bancassurance transaction	—	—	304
(Millions of euros)	-	Net cost related to the restructuring process	—	(696)	—
(Millions of euros)	-	Net impact arisen from the purchase of offices in Spain	(201)	—	—
	=	**Adjusted net attributable profit (loss)**	**6,621**	**5,069**	**2,729**

Net attributable profit (loss) excluding corporate operations for AVR

Explanation of the formula: the result is calculated excluding the Group's non-recurring results amounts of the net attributable profit of the Group's consolidated Income Statement. In addition, in 2022, the net attributable profit associated with the 36.12% acquired in the voluntary takeover bid of Garanti BBVA is deducted. In 2021, the impact, after tax, resulting from the restructuring process carried out at BBVA S.A., is deducted.

Relevance of its use: This metric is commonly used in the banking sector. In addition, it is one of the metrics used for the purposes of the Group's AVR (Annual Variable Remuneration).

Net attributable profit (loss) excluding corporate operations for AVR				
			Jan.-Dec.2022	**Jan.-Dec.2021**
(Millions of euros)	+	Net attributable profit (loss)	6,420	4,653
(Millions of euros)	-	BBVA USA and the rest of the Companies in the United States sold to PNC adjustments (1)	—	280
(Millions of euros)	-	Net impact of the restructuring process	—	(655)
(Millions of euros)	-	Net impact from the purchase from offices in Spain	(201)	—
(Millions of euros)	-	Impact generated by the voluntary takeover bid of Garanti BBVA	240	—
	=	**Net attributable profit (loss) excluding corporate operations for AVR**	**6,381**	**5,028**

(1) Include the results generated by BBVA USA and the rest of the companies in the United States until its sale to PNC on June 1, 2021.

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income}}$$

Explanation of the formula: the numerator is the net attributable profit (loss) previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

Average accumulated other comprehensive income is the moving weighted average of "Accumulated other comprehensive income", which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: this ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

ROE					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	=	Net attributable profit (loss)	6,420	4,653	1,305
Denominator (Millions of euros)	+	Average shareholder's funds	61,370	60,030	57,626
	+	Average accumulated other comprehensive income	(15,928)	(15,396)	(12,858)
	=	**ROE**	**14.1 %**	**10.4 %**	**2.9 %**

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Adjusted net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income}}$$

Explanation of the formula: the numerator is the adjusted net attributable profit (loss) previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized. The denominator items "Average shareholders' funds" and "Average accumulated other comprehensive income" are the same and they are calculated in the same way as that explained for ROE.

Relevance of its use: this ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	=	Adjusted net attributable profit (loss)	6,621	5,069	2,729
Denominator (Millions of euros)	+	Average shareholder's funds	61,370	60,030	57,626
	+	Average accumulated other comprehensive income	(15,928)	(15,396)	(12,858)
	=	**Adjusted ROE**	**14.6 %**	**11.4 %**	**6.1 %**

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income - Average intangible assets}}$$

Explanation of the formula: the numerator "Net attributable profit (loss)" and the items in the denominator "Average intangible assets" and "Average accumulated other comprehensive income" are the same items and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders funds in ROE.

Relevance of its use: this metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	=	Net attributable profit (loss)	6,420	4,653	1,305
Denominator (Millions of euros)	+	Average shareholder's funds	61,370	60,030	57,626
	+	Average accumulated other comprehensive income	(15,928)	(15,396)	(12,858)
	-	Average intangible assets	2,119	2,265	2,480
	-	Average intangible assets from BBVA USA and BBVA Paraguay [(1)]	—	897	2,528
	=	**ROTE**	**14.8 %**	**11.2 %**	**3.3 %**

[(1)] BBVA Paraguay includes 4 millions of euros as of January-December 2020.

Adjusted ROTE

The adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Adjusted net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income - Average intangible assets}}$$

Explanation of the formula: the numerator [adjusted net attributable profit (loss)] and the items of the denominator "Average shareholders' funds" and " Average accumulated other comprehensive income" are the same and calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the balance sheet, excluding for the periods of 2021 and 2020 the assets from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. The average balance is calculated in the same way as explained for shareholders' funds in the ROE.

Relevance of its use: this metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE

			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	=	Adjusted net attributable profit (loss)	6,621	5,069	2,729
Denominator (Millions of euros)	+	Average shareholder's funds	61,370	60,030	57,626
	+	Average accumulated other comprehensive income	(15,928)	(15,396)	(12,858)
	-	Average intangible assets	2,119	2,265	2,480
	-	Average intangible assets from BBVA Paraguay	—	—	4
	=	**Adjusted ROTE**	**15.3 %**	**12.0 %**	**6.5 %**

RORC for AVR

The RORC (return on regulatory capital) measures the return on manageable regulatory capital that should be maintained to reach the CET1 fully-loaded target ratio. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss) excluding corporate transactions for AVR}}{\text{Average assigned regulatory capital}}$$

Explanation of the formula: The numerator is the net attributable profit (loss) excluding corporate transactions for AVR, described above. The denominator is the average assigned regulatory capital, defined as the manageable capital that should be held at Group level to reach the CET1 fully-loaded target ratio. If the described metric is presented on a date prior to the end of the year, the numerator will be presented on an annualized basis.

Relevance of its use: This metric is commonly used in the banking sector. In addition, it is one of the metrics used for the purposes of the Group's AVR (Annual Variable Remuneration).

RORC for AVR

			Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	=	Net attributable profit (loss) excluding corporate transactions for AVR	6,381	5,028
Denominator (Millions of euros)	=	Average assigned regulatory capital	41,815	35,837
	=	**RORC for AVR**	**15.26%**	**14.03%**

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Profit (loss) for the period}}{\text{Average total assets}}$$

Explanation of the formula: the numerator is the profit (loss) for the period, previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized.

Average total assets are taken from the Group's consolidated balance sheet. The average balance is calculated as explained for average shareholders' funds in the ROE.

Relevance of its use: this ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA				
		Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	Profit (loss) for the period	6,827	5,618	2,060
Denominator (Millions of euros)	Average total assets	701,709	678,563	727,014
=	ROA	0.97 %	0.83 %	0.28 %

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Adjusted profit (loss) for the period}}{\text{Average total assets}}$$

Explanation of the formula: the numerator is the adjusted profit (loss) for the period previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average total assets are taken from the Group's consolidated balance sheet, excluding for the periods of 2021 and 2020 the assets from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. The average balance is calculated in the same way as explained for average equity in the ROE.

Relevance of its use: this ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA				
		Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	Adjusted profit (loss) for the period	7,028	6,034	3,485
Denominator (Millions of euros)	Average total assets	701,709	640,142	639,943
=	Adjusted ROA	1.00 %	0.94 %	0.54 %

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Profit (loss) for the period}}{\text{Average risk-weighted assets}}$$

Explanation of the formula: the numerator [profit (loss) for the period] is the same and is calculated in the same way as explained for ROA.

Average risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: this ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA				
		Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	Profit (loss) for the period	6,827	5,618	2,060
Denominator (Millions of euros)	Average RWA	327,999	324,819	358,675
=	RORWA	2.08 %	1.73 %	0.57 %

Adjusted RORWA

The adjusted RORWA (return on risk-weighted assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Adjusted profit (loss) for the period}}{\text{Average risk-weighted assets}}$$

Explanation of the formula: the numerator [adjusted profit (loss) for the period] is the same and is calculated in the same way as explained for adjusted ROA.

Average risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis, excluding for the periods of 2021 and 2020 those from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

Relevance of its use: this ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA

		Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	Adjusted profit (loss) for the period	7,028	6,034	3,485
Denominator (Millions of euros)	Average RWA	327,999	300,276	300,518
	= **Adjusted RORWA**	**2.14 %**	**2.01 %**	**1.16 %**

Earning (loss) per share

The earning (loss) per share is calculated in accordance to the criteria established in the IAS 33 “Earnings per share”.

Earning (loss) per share

			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
(Millions of euros)	+	Net attributable profit (loss)	6,420	4,653	1,305
(Millions of euros)	+	Remuneration related to the Additional Tier 1 securities (CoCos)	313	359	387
Numerator (millions of euros)	=	Net attributable profit (loss) ex.CoCos remuneration	6,107	4,293	917
Denominator (millions)	+	Average number of shares issued	6,424	6,668	6,668
	-	Average treasury shares of the period	9	12	13
	-	Share buyback program (average) [(1)]	225	255	—
	=	**Earning (loss) per share (euros)**	**0.99**	**0.67**	**0.14**

[(1)] The period January-December 2021 includes 112 million shares acquired from the start of the share buyback program to December 31, 2021 and the estimated number of shares pending from buyback as of December 31, 2021 of the first tranche, in process at the end of that period.

Additionally, for management purposes, earning (loss) per share is presented excluding: (I) the profit (loss) after tax from discontinued operations, that is, the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, for the periods of 2021 and 2020; (II) the capital gain net of taxes from the bancassurance operation with Allianz recorded in the fourth quarter of 2020; (III) the net cost related to the restructuring process recorded in the second quarter of 2021; and (IV) the net impact from the purchase of offices in Spain in the second quarter of 2022.

Adjusted earning (loss) per share					
			Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
(Millions of euros)	+	Net attributable profit (loss) ex. CoCos remuneration	6,107	4,293	917
(Millions of euros)	-	Discontinued operations	—	280	(1,729)
(Millions of euros)	-	Net capital gains from the bancassurance transaction	—	—	304
(Millions of euros)	-	Net cost related to the restructuring process	—	(696)	—
(Millions of euros)	-	Net impact arisen from the purchase of offices in Spain	(201)	—	—
Numerator (millions of euros)	=	Net Attributable profit (loss) ex.CoCos and non-recurring impacts	6,308	4,709	2,342
Denominator (millions)	+	Number of shares issued [1]	6,030	6,668	6,668
	-	Average treasury shares of the period	9	12	13
	=	**Adjusted earning (loss) per share (euros)**	**1.05**	**0.71**	**0.35**

[1] In the period January-December 2022, the number of shares issued takes into account the total redemption of the share buyback program.

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: both "Operating expenses" and "Gross income" are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: this ratio is generally used in the banking sector. In addition, it is the metric for one of the six Strategic Priorities of the Group.

Efficiency ratio				
		Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	Operating expenses	10,760	9,530	9,088
Denominator (Millions of euros)	Gross income	24,890	21,066	20,166
	= **Efficiency ratio**	**43.2 %**	**45.2 %**	**45.1 %**

Efficiency ratio for AVR

Explanation of the formula: The numerator used to calculate the efficiency ration excludes, In 2021, savings generated by the employee departures subject to the restructuring process since their departure from the BBVA Group, amounting to approximately €58m gross.

Relevance of its use: This metric is commonly used in the banking sector. In addition, it is one of the metrics used for the purposes of the Group's AVR (Annual Variable Remuneration).

Efficiency ratio for AVR				
			Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	=	Operating expenses for AVR	10,760	9,587
Denominator (Millions of euros)	=	Gross income	24,890	21,066
	=	**Efficiency ratio for AVR**	**43.2 %**	**45.5 %**

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: the remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: this ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield

		31-12-22	31-12-21	31-12-20
Numerator (Euros)	∑ Dividends	0.35	0.14	0.16
Denominator (Euros)	Closing price	5.63	5.25	4.04
=	**Dividend yield**	**6.2 %**	**2.6 %**	**4.0 %**

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds + Accumulated other comprehensive income}}{\text{Number of shares outstanding - Treasury shares}}$$

Explanation of the formula: the figures for both "Shareholders' funds" and "Accumulated other comprehensive income" are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). In addition, the denominator is also adjusted to include the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: it shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			31-12-22	31-12-21	31-12-20
Numerator (Millions of euros)	+	Shareholders' funds	64,422	60,383	58,904
	+	Accumulated other comprehensive income	(17,432)	(16,476)	(14,356)
Denominator (Millions of shares)	+	Number of shares issued	6,030	6,668	6,668
	-	Treasury shares	5	15	14
	-	Share buyback program [(1)]	—	255	—
	=	**Book value per share (euros / share)**	**7.80**	**6.86**	**6.70**

[(1)] As of 31-12-21, 112 million shares acquired from the start of the share buyback program to the end of the period and the estimated number of shares pending from buyback as of December 31, 2021 of the first tranche, in process at the end of that date, were included.

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds + Accumulated other comprehensive income - Intangible assets}}{\text{Number of shares outstanding - Treasury shares}}$$

Explanation of the formula: the figures for "Shareholders' funds", "Accumulated other comprehensive income" and "Intangible assets" are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "Dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). In addition, the denominator is also adjusted to include the result of the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: it shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			31-12-22	31-12-21	31-12-20
Numerator (Millions of euros)	+	Shareholders' funds	64,422	60,383	58,904
	+	Accumulated other comprehensive income	(17,432)	(16,476)	(14,356)
	-	Intangible assets	2,156	2,197	2,345
	-	Intangible assets from BBVA USA and BBVA Paraguay (1)	—	—	1,952
Denominator (Millions of shares)	+	Number of shares issued	6,030	6,668	6,668
	-	Treasury shares	5	15	14
	-	Share buyback program (2)	—	255	—
	=	**Tangible book value per share (euros / share)**	**7.44**	**6.52**	**6.05**

(1) BBVA Paraguay includes 3 millions of euros as of 31-12-20.

(2) As of 31-12-21, 112 million shares acquired from the start of the share buyback program to the end of the period and the estimated number of shares pending from buyback as of December 31, 2021 of the first tranche, in process at the end of that date, were included.

Tangible book value per share for AVR

Explanation of the formula: for the purposes of its calculation, and based on the metric "Tangible book value per share" described above, the following items are adjusted in order not to consider the results of non-recurring operations: the capital gain from the voluntary takeover bid of Garanti BBVA in 2022 and the estimated net savings of the BBVA restructuring plan in BBVA S.A. in 2021.

Tangible book value for AVR: in 2022, both, the aforementioned capital gain from the voluntary takeover bid of Garanti BBVA and the net impact arisen from the purchase of offices in Spain from Merlin on the tangible book value are excluded. In 2021, both the net impact related to the restructuring process of BBVA S.A. and the impact of the sale of BBVA USA and the rest of companies in the United States on the tangible book value are excluded. On the other hand, on the concepts related to the system of remuneration to shareholders, the amounts distributed to them (which include the amounts distributed under the items “Share premium”, as well as the “Interim dividends”) are adjusted. Likewise, the amount executed as of December 31, 2021 (112 million shares acquired for an amount of €569m) corresponding to the first share buyback tranche (€1,500m) approved by the BBVA Board of Directors in October 2021.

Relevance of its use: This indicator is commonly used in the banking sector. In addition, it is one of the indicators used for the purposes of the Group’s AVR (Annual Variable Remuneration).

Tangible book value per share for AVR

			31-12-22	31-12-21
Numerator (Millions of euros)	+	Tangible book value for AVR	46,054	42,832
Denominator (Millions of shares)	+	Number of shares issued	6,030	6,668
	+	Dividend-option	—	—
	-	Treasury shares	5	15
	-	Share buyback program [1]	—	112
=		**Tangible book value per share for AVR (euros)**	**7.64**	**6.55**

(1) Considering 112 million shares acquired within the share buyback program in 2021.

Non-performing loan (NPL) ratio

It is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance. It is calculated as follows:

$$\frac{\text{Non-performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: non-performing loans and the credit risk balance are gross, meaning they are not adjusted by associated accounting provisions.

Non-performing loans are calculated as the sum of “loans and advances at amortized cost” and the “contingent risk” in stage 3[48] and the following counterparties:

- other financial entities
- public sector
- non-financial institutions
- households

The credit risk balance is calculated as the sum of "Loans and advances at amortized cost" and "Contingent risk" in stage 1 + stage 2 + stage 3 of the previous counterparts.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio		31-12-22	31-12-21	31-12-20
Numerator (Millions of euros)	NPLs	14,463	15,443	15,451
Denominator (Millions of euros)	Credit Risk	424,341	376,011	366,883
=	**Non-Performing Loans (NPLs) ratio**	**3.4 %**	**4.1 %**	**4.2 %**

General note: excludes BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via allowances. It is calculated as follows:

$$\frac{\text{Provisions}}{\text{Non-performing loans}}$$

Explanation of the formula: it is calculated as "Provisions" from stage 1 + stage 2 + stage 3, divided by non-performing loans, formed by “credit risk” from stage 3.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via value adjustments.

NPL coverage ratio		31-12-22	31-12-21	31-12-20
Numerator (Millions of euros)	Provisions	11,764	11,536	12,595
Denominator (Millions of euros)	NPLs	14,463	15,443	15,451
=	**NPL coverage ratio**	**81 %**	**75 %**	**82 %**

General note: excludes BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

[48] IFRS 9 classifies financial instruments into three stages, which depend on the evolution of their credit risk from the moment of initial recognition. The stage 1 includes operations when they are initially recognized, stage 2 comprises operations for which a significant increase in credit risk has been identified since their initial recognition and,stage 3, impaired operations.

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Loan-loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: "Loans to customers (gross)" refers to the "Loans and advances at amortized cost" portfolios with the following counterparts:

- other financial entities
- public sector
- non-financial institutions
- households, excluding central banks and other credit institutions.

Average loans to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month. "Annualized loan-loss provisions" are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis.

Loan-loss provisions refer to the aforementioned loans and advances at amortized cost portfolios.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk

		Jan.-Dec.2022	Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	Loan-loss provisions	3,252	3,026	5,160
Denominator (Millions of euros)	Average loans to customers (gross)	356,597	325,013	332,096
=	**Cost of risk**	**0.91 %**	**0.93 %**	**1.55 %**

General note: excludes BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

5.2 Compliance tables

5.2.1 Index of contents of Law 11/2018[49]

Non-financial Information Report. Contents index of the Law 11/2018

		Page / Section BBVA's Management Report 2022	GRI reporting criteria	Page(s)
General information				
Business model	Brief description of the group's business model	NFIS/Strategy	GRI 2-6 GRI 2-7	8-17
	Geographical presence and Organization and Sturcture	BBVA in brief/ Who we are Other information/Organizational Chart	GRI 2-1 GRI 2-6	2 265
	Objectives and strategies of the organization	NFIS/Strategy/Purpose, values and strategic priorities, Our objectives	GRI 2-22	8-17
	Main factors and trends that may affect your future evolution	NFIS/Strategy/Main advances in the execution of the strategy Financial information/BBVA Group/Macroeconomic and regulatory environment	GRI 2-6	12-17 127-132
General	Reporting framework	Non-financial information	GRI 1	7
	Principle of materiality	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis	GRI 3-1 GRI 3-2	18-19 107-115
Management approach	Description of the applicable policies	NFIS/Our stakeholders/Customers/Customer security and protection NFIS/Our stakeholders/Society/Community Commitment/Volunteer work NFIS/Our stakeholders/Society/Community Commitment/Commitment to Human Rights NFIS/Report on climate change and other environmental and social issues Risk management	GRI 3-3 GRI 2-25	21-23 60-61 73-74 78-106 171-192
	The results of these policies	NFIS/Our stakeholders/Customers/Customer security and protection NFIS/Our stakeholders/Society/Community Commitment/Volunteer work NFIS/Our stakeholders/Society/Community Commitment/Commitment to Human Rights NFIS/Report on climate change and other environmental and social issues Risk management	GRI 3-3 GRI 2-25	21-23 60-61 73-74 78-106 171-192
	The main risks related to these issues involving the activities of the group	NFIS/Our stakeholders/Customers/Customer security and protection NFIS/Our stakeholders/Society/Community Commitment/Volunteer work NFIS/Our stakeholders/Society/Community Commitment/Commitment to Human Rights NFIS/Additional information/Other non financial risks Risk management	GRI 2-16	21-23 60-61 73-74 78-106 171-192

[49] Law 5/2021 once again modifies article 49 of the Commercial Code on social and personnel issues. Those modifications are included in this content index.

Environmental questions				
Environmental management	Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	NFIS/Report on climate change and other environmental and social issues Risk management/General risk management and control mode	GRI 3-3	78-106 171-179
	Environmental assessment or certification procedures	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25	99-104
	Resources dedicated to the prevention of environmental risks	NFIS/Report on climate change and other environmental and social issues/Governance model NFIS/Report on climate change and other environmental and social issues/Metrics and goals: Channeling sustainable business	GRI 3-3 GRI 2-25	79 95-98
	Application of the precautionary principle	NFIS/Report on climate change and other environmental and social issues Risk management/General risk management and control model	GRI 2-23 GRI 3-3 GRI 2-25	78-106 171-179
	Amount of provisions and guarantees for environmental risks	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts/Management of direct environmental impacts	GRI 3-3 GRI 2-25	99-102
Contamination	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of activity-specific air pollution, including noise and light pollution	NFIS/Report on climate change and other environmental and social issues/Metrics and goals: Channeling sustainable business	GRI 3-3 GRI 2-25	95-98
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25 GRI 306-2 with respect to recycling and reusing	99-104
	Actions to combat food waste	BBVA Group considers this indicator not to be material	GRI 3-3 GRI 2-25	
Sustainable use of resources	Water consumption and water supply according to local constraints	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 303-5 (2018) with respect total water consumption	99-104
	Use of raw materials and measures taken to improve the efficiency of their utilization	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 301-1 with respect to renewable materials used	99-104
	Energy use, direct and indirect	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 302-1 GRI 302-3	99-104
	Measures taken to improve energy efficiency	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25 GRI 302-4	99-104
	Use of renewable energies	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 302-1 with respect to renewable energies consumption	99-104
Climate change	Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	NFIS/Report on climate change and other environmental and social issues	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	78-106
	Measures taken to adapt to the consequences of climate change	NFIS/Report on climate change and other environmental and social issues	GRI 3-3 GRI 2-25 GRI 201-2	78-106
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	NFIS/Report on climate change and other environmental and social issues	GRI 305-5	78-106

Protection of biodiversity	Measures taken to protect or restore biodiversity	The metric describes the size of the protected or restored areas of habitats and BBVA's financial activity, as well as the activity of its offices, has no impact in this regard. This metric and its various breakdowns are currently considered non-material.	GRI 304-3	
	Impacts caused by activities or operations in protected areas	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas, so the impacts of the entity's activities on biodiversity are considered not significant. Although the products and services commercialised can potentially have an impact on it, they are managed according to the regulations and criteria applicable to the nature of the financed activities, and nowadays there are no defined and comparable metrics for their monitoring and reporting in relation with BBVA's value chain. However, the entity undertakes to follow up on regulatory developments regarding biodiversity for future reporting if necessary.	GRI 304-1 GRI 304-2	
Social and personnel questions				
Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	NFIS/Our stakeholders/Employees/Professional development/Diversity, inclusion and different capacities	GRI 2-7 GRI 2-8 GRI 405-1	34-36
	Total number and distribution of work contract modalities	NFIS/Our stakeholders/Employees/Professional development/Diversity, inclusion and different capacities	GRI 2-7 GRI 2-8	34-36
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	NFIS/Our stakeholders/Employees/Professional development/Diversity, inclusion and different capacities	GRI 2-7 GRI 2-8	34-36
	Number of dismissals by sex, age, and professional classification	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25 GRI 401-1 with respect to staff turn-over by sex, age and country	34-36
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	NFIS/Our stakeholders/Employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	53-57
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	NFIS/Our stakeholders/Employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	53-57
	Salary gap	NFIS/Our stakeholders/Employees/Remuneration/Wage gap	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	56
	Implementation of employment termination policies	NFIS/Our stakeholders/Employees/Work environment/Work organization	GRI 3-3 GRI 2-25	47-48
	Employees with disabilities	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 405-1	34-36
Work organization	Work schedule organization	NFIS/Our stakeholders/Employees/Work environment/Work organization	GRI 3-3 GRI 2-25	47-48
	Number of hours of absenteeism	NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health	GRI 403-9	49-52
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	NFIS/Our stakeholders/Employees/Work environment/Work organization	GRI 3-3 GRI 2-25	47-48

Health and safety	Work health and safety conditions	NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health	GRI 3-3 GRI 2-25 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018)	49-52
	Work accidents, in particular their frequency and severity, disaggregated by gender	NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health	GRI 403-9 (2018) with respect to labor accident injuries	49-52
	Occupational diseases, disaggregated by gender	NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health	GRI 403-10 (2018)with respect to recordable labor injuries	49-52
Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	NFIS/Our stakeholders/Employees/Work environment/Freedom of association and representation	GRI 3-3 GRI 2-25	48
	Mechanisms and procedures that the company has to promote the involvement of workers in the management of the company, in terms of information, consultation and participation	NFIS/Our stakeholders/Employees/Culture & Values NFIS/Our stakeholders/Employees/Work environment/Freedom of association and representation	GRI 3 -3 GRI 2-25	30 48
	Percentage of employees covered by collective agreement by country	NFIS/Our stakeholders/Employees/Work environment/Freedom of association and representation	GRI 2-30	48
	The balance of collective agreements, particularly in the field of health and safety at work	NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health	GRI 403-4 (2018)	49-52
Training	Policies implemented for training activities	NFIS/Our stakeholders/Employees/Professional development/Training	GRI 3-3 GRI 2-25 GRI 404-2	32-34
	The total amount of training hours by professional category	NFIS/Our stakeholders/Employees/Professional development/Training	GRI 404-1	32-34
Accessibility	Integration and universal accessibility of people with disabilities	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	34-36
Equality	Measures taken to promote equal treatment and opportunities between women and men	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	34-36
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	34-36
	Measures adopted to promote employment, protocols against sexual and sex-based harassment.	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	34-36
	Policy against any type of discrimination and, where appropriate, diversity management	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	34-36
Information about the respect for human rights				

Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	NFIS/Our stakeholders/Society/Commitment to Human Rights	GRI 2-23 GRI 2-26	73-74
	Claims regarding cases of human rights violations	NFIS/Our stakeholders/Society/Commitment to Human Rights	GRI 3-3 GRI 2-25 GRI 406-1	73-74
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	NFIS/Our stakeholders/Employees/Work environment/Freedom of association and representation NFIS/Our stakeholders/Society/Commitment to Human Rights	GRI 3-3 GRI 2-25 GRI 407-1 GRI 408-1 GRI 409-1	48 73-74
Information about anti-bribery and anti-corruption measures				
Corruption and bribery	Measures adopted to prevent corruption and bribery	NFIS/Our stakeholders/Society/Compliance and conduct	GRI 3-3 GRI 2-25 GRI 2-23 GRI 2-26 GRI 205-2 GRI 205-3	61-67
	Measures adopted to fight against anti.money laundering	NFIS/Our stakeholders/Society/Compliance and conduct	GRI 3-3 GRI 2-25 GRI 2-23 GRI 2-26 GRI 205-2 GRI 205-3	61-67
	Contributions to foundations and non-profit-making bodies	NFIS/Our stakeholders/Society/Contribution to society	GRI 2-28 GRI 201-1 with respect to community investment	58-60
Information about the society				
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	NFIS/Our stakeholders/Society/ Contribution to society NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts/Management of indirect environmental and social impacts/Equator Principles	GRI 3-3 GRI 2-25 GRI 203-2 with respect to significant indirect economic impacts GRI 204-1	58-60 103-104
	The impact of company activity on local populations and on the territory	NFIS/Our stakeholders/Society/ Contribution to society NFIS/Report on climate change and other environmental and social issues/Management of indirect environmental and social impacts/Equator Principles	GRI 413-1 GRI 413-2	58-60 103-104

	The relationships maintained with representatives of the local communities and the modalities of dialog with these	NFIS/Strategy/Main advances in the execution of the strategy NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis NFIS/Our stakeholders/Employees/Work environment/Freedom of association and representation NFIS/Our stakeholders/Society/Contribution to society	GRI 2-29 GRI 413-1	12-17 18-19 107-115 48 58-60
	Actions of association or sponsorship	NFIS/Our stakeholders/Society/Contribution to society	GRI 3-3 GRI 2-25 GRI 201-1 with respect to investments in the community	58-60
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	NFIS/Our stakeholders/Suppliers	GRI 3-3 GRI 2-25	75-77
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	NFIS/Our stakeholders/Suppliers	GRI 2-6 GRI 308-1 GRI 414-1	75-77
	Supervision systems and audits, and their results	NFIS/Our stakeholders/Suppliers	GRI 2-6 GRI 308-1 GRI 308-2 GRI 414-2	75-77
Consumers	Customer health and safety measures	NFIS/Our stakeholders/Customers/Customer experience NFIS/Our stakeholders/Customers/Customer security and protection NFIS/Our stakeholders/Society/Commitment to Human Rights	GRI 3-3 GRI 2-25 GRI 416-1	20-21 21-23 73-74
	Claims systems, complaints received and their resolution	NFIS/Our stakeholders/Customers/Customer care NFIS/Additional information/Additional information on customer complaints	GRI 3-3 GRI 2-25 GRI 418-1	24-26 123-124
Tax information	Benefits obtained by country	NFIS/Our stakeholders/Society/Fiscal transparency	GRI 201-1 GRI 207-4 (2019) with respect to tax on corporate profit payed and tax on corporate profit	67-73
	Taxes on paid benefits	NFIS/Our stakeholders/Society/Fiscal transparency	GRI 201-1 GRI 207-4 (2019) with respect to corporate income tax paid and corporate income tax accrued on profit/loss.	67-73
	Public subsidies received	NFIS/Our stakeholders/Society/Fiscal transparency	GRI 201-4	70
Requirements of the Taxonomy regulation		NFIS/Additional information/Information related to article 8 of the European Taxonomy		116-117

5.2.2 Index of contents of Law 07/2021

Under Law 7/2021, of May 20, on climate change and energy transition, BBVA has submitted the Climate Change Report, which includes the following matters: the organization's governance structure, the strategic focus, both in terms of adaptation and mitigation of the entity to manage the financial risks associated with climate change, the real and potential impacts of the risks and opportunities associated with climate change, the processes of identification, evaluation, control and management of the risks related to the climate and the metrics, scenarios and objectives used to evaluate and manage the relevant risks and opportunities associated with climate change.

In this context, BBVA has incorporated the Climate Change Report into the Group's Management Report, which is attached to the Consolidated Financial Statements for 2022, as covered in the article 32 of Law 7/2021.

Non-financial Information Report. Contents index of the Law 7/2021, of May 20, about climate change and energetic transition

Topic	Reporting criteria	Response included in BBVA Group's consolidated management report
Govern	Governance structure of organization, including the role that its various bodies perform, in relation to the identification, evaluation and management of risks and opportunities related to climate change.	Other information/Organizational Chart NFIS/Report on climate change and other environmental and social issues
Strategy	Strategic approach, in terms of adaptation and mitigation of the entities to manage the financial risks associated with climate change, taking into account the current risks at the time of writing the report, and those that may arise in the future, identifying the actions necessary at that time to mitigate such risks.	NFIS/Purpose, values and strategic priorities NFIS/Report on climate change and other environmental and social issues
Impacts	The real and potential impacts of risks and opportunities associated with climate change on the organization's activities and its strategy, as well as on its financial planning.	NFIS/Report on climate change and other environmental and social issues
Risk management	The processes for identifying, evaluating, controlling and managing climate-related risks and how these are integrated into its global business risk analysis and its integration into the organization's global risk management.	NFIS/Purpose, values and strategic priorities NFIS/Report on climate change and other environmental and social issues
Metrics and goals	Metrics, scenarios and objectives used to assess and manage important risks and opportunities related to climate change and, if calculated, the scope 1, 2 and 3 of its carbon footprint and how its reduction is addressed .	NFIS/Report on climate change and other environmental and social issues

5.2.3 GRI standards content index

At the end of 2021, GRI has made adjustments to the standards for developing sustainability reports. The sections to be reported have been developed and expanded and the old *GRI 101 (2016 version)* have been replaced by *GRI 1: Fondation*; *GRI 2 (version 2106)* by *GRI 2: General disclosure*; and *GRI 103 (2016 version)* for *GRI 3: Material topics*. In this way, modifications have been applied in terms of the structure of the BBVA Group's content index with respect to that reported in fiscal year 2021 to adjust to the new requirements.

The BBVA Group has reported in accordance with the GRI Standards for the period between January 1 and December 31, 2022.

Indicator		Chapter
		GRI 1: FOUNDATION
Reporting in accordance with the GRI Standards		
	Publish a GRI content index	GRI standards content index
	Provide a statement of use	Non-financial information report
		GRI 2: GENERAL DISCLOSURE
The organization and its reporting practices		
2-1	Organizational details	BBVA in brief Group financial information Annual Corporate Governance Report (Section A) Consolidated Financial Statements (Note 1)
2-2	Entities included in the organization’s sustainability reporting	Non-financial information report/Introduction
2-3	Reporting period, frequency and contact point	Annual. From January 1 to December 31, 2022. For contacts regarding sustainability and responsible banking see https://accionistaseinversores.bbva.com/negocio-responsable/contacto/
2-4	Restatements of information	Regarding the financial information, restatements made during 2022 financial year are described in Notes 1 and 3 of the Consolidated Financial Statements. The changes with respect to the non-financial information published in 2021 have been duly indicated through their corresponding footnote in the section of Employees" within the chapter "Our stakeholders" of the Non-financial information report.
2-5	External assurance	Independent verification report
Activities and workers		
2-6	Activities, value chain, and other business relationships	BBVA in brief BBVA in brief/Who we are Financial information/Group Business areas NFIS/Our stakeholders/Suppliers Consolidated Financial Statements (Note 3)
2-7	Employees	BBVA in brief Financial information/Group Business areas NFIS/Our stakeholders/Employees
2-8	Workers who are not employees	As of December 31, 2022, the number of external workers in the Engineering area of the BBVA Group amounted to 13,511 (1,406 less than on December 31, 2021). This number is expressed in full-time equivalent units (FTEs). These people from external companies are hired to provide services related to IT infrastructure issues, or development/maintenance of software for architectures and applications and platforms, or specialized cybersecurity services. It should be noted that their work is not controlled by BBVA in the sense that tasks are not entrusted to them, but services are more or less structured in service level agreements.
Governance		

2-9	Governance structure and composition	Annual Corporate Governance Report (Section C) NFIS/Report on climate change and other environmental and social issues/Governance model
2-10	Nomination and selection of the highest governance body	Annual Corporate Governance Report (Section C)
2-11	Chair of the highest governance body	Annual Corporate Governance Report (Section C)
2-12	Role of the highest governance body in overseeing the management of impacts	NFIS/Strategy/Purpose, values and strategic priorities, Our Objectives Annual Corporate Governance Report (Section C.2 and E.2) NFIS/Report on climate change and other environmental and social issues/Governance model Risk management
2-13	Delegation of responsibility for managing impacts	Annual Corporate Governance Report (Section C) NFIS/Report on climate change and other environmental and social issues/Governance model
2-14	Role of the highest governance body in sustainability reporting	The non-financial information report is part of the Management Report and the Consolidated Financial Statements, which are prepared by the Board of Directors as responsible social body, in the meeting held on February 9, 2023, and will be subject to approval by the next General Shareholders' Meeting.
2-15	Conflicts of interest	Annual Corporate Governance Report (Section C and D)
2-16	Communication of critical concerns	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis Annual Corporate Governance Report (Section C)
2-17	Collective knowledge of the highest governance body	Annual Corporate Governance Report (Section C) NFIS/Report on climate change and other environmental and social issues/Governance model
2-18	Evaluation of the performance of the highest governance body	Annual Corporate Governance Report (Section C)
2-19	Remuneration policies	NFIS/Our stakeholders/Employees/Remuneration Consolidated Financial Statements (Notes 44.1 and 54)
2-20	Process to determine remuneration	NFIS/Our stakeholders/Employees/Remuneration Consolidated Financial Statements (Notes 44.1 and 54) NFIS/Strategy/Purpose, values and strategic priorities, Our Objectives
2-21	Annual total compensation ratio	BBVA calculates the ratio of the percentage increase in total annual compensation as the relationship between the increase in total annual compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of the highest paid person in each of the geographical areas and the percentage increase in the median total annual compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of all employees in the same geographical area, taking full-time annualized remuneration, excluding the highest paid person. The total annual compensation of the highest paid person for the year 2022 shows an increase greater than the increase in the total annual compensation of the rest of the employees in all geographical areas. In the case of BBVA, S.A. in Spain, for the year 2022, the increase in the total annual compensation of the highest paid person is 3.1 times higher than the increase in the median total annual compensation of the rest of the employees; In Mexico, this figure is twice as high, in Turkey, once, in Colombia, 3.5 times, in Peru, 4.9 times, in Argentina, 1.1 times, and in Uruguay, 0. 2 times. In Chile, the increase in the total annual compensation of the highest paid person has been 0.3 times lower than the increase in the median total annual compensation of the rest of the employees.
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	The non-financial information report is part of the Management Report and the Consolidated Financial Statements, which are prepared by the Board of Directors as responsible social body, in the meeting held on February 9, 2023, and will be subject to approval by the next General Shareholders' Meeting.
2-23	Policy commitments	Risk management NFIS/Strategy/Purpose, values and strategic priorities, Our Objectives NFIS/Our stakeholders/Employees/Culture and values NFIS/Our stakeholders/Society/Commitment to Human Rights

2-24	Embedding policy commitments	The commitments and policies that the BBVA Group applies to the following aspects are indicated in their corresponding sections: Customers => NFIS/Our interest groups/Customers Employees => NFIS/Our stakeholders/Employees Shareholders and investors => NFIS/Our stakeholders/Shareholders and investors Contribution to society => NFIS/Our stakeholders/Society/Contribution to society Commitment to develop all its activities and businesses in compliance with current legislation and in accordance with strict canons of ethical behavior => NFIS/Our stakeholders/Society/Compliance and conduct Fiscal => NFIS/Our stakeholders/Society/Fiscal transparency Commitment to Human Rights => NFIS/Our interest groups/Society/Commitment to Human Rights Suppliers => NFIS/Our interest groups/Society/Suppliers Regulators and supervisors => NFIS/Our stakeholders/Regulators and supervisors Commitments related to climate change and other environmental and social issues => NFIS/Report on climate change and other environmental and social issues Risk management => Management report/Risk management
2-25	Processes to remediate negative impacts	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis
2-26	Mechanisms for seeking advice and raising concerns	NFIS/Our stakeholders/Society/Commitment to Human Rights
2-27	Compliance with laws and regulations	In this metric, monetary sanctions (or judicial rulings on said sanctions) are considered above a materiality threshold of €1m per sanction, imposed or appealed in 2022, and the non-monetary sanctions associated with the previous ones. For issues related to corruption, please refer to the information included in the GRI 205-3 metric. For issues related to competition, please refer to the information included in the GRI 206 metric. For issues related to data privacy, please refer to the information included in the GRI 418 and SASB CF 220a.2 metrics. Additionally, the appeal filed in 2022 in relation to the sanction imposed on BBVA, S.A. is reported. in 2020 by the Spanish Agency for Data Protection for a total of €5m for alleged violation of Regulation (EU) 2016/679 general data protection. It has not generated monetary losses in 2022. For the purposes of determining non-compliance related to the provision of products and services, administrative sanctions (or court rulings on said sanctions) imposed or appealed in the year 2022 to/by Covered Entities, which exceed the materiality threshold, are considered for alleged infringements of the following types of rules: (i) Regulations on unfair terms and lack of transparency with consumers, such as Directive 93/13, on unfair terms in contracts entered into with consumers and Royal Legislative Decree 1/2007, which approves the consolidated text of the General Law for the Defense of Consumers and Users, and equivalent regulations outside the EU. There are no sanctions imposed in 2022 on Covered Entities that exceed the materiality threshold for non-compliance with the above. (ii) Regulations relating to good practices used in credit operations granted to customers. The appeal filed in 2022 in relation to the sanction imposed on BBVA, S.A. is reported. in March 2020 by the Bank of Spain for a total of €6m for alleged breaches of the Code of Good Practices. It has not generated monetary losses in 2022. For the purposes of determining non-compliances related to tax aspects, the sanctions (or judicial rulings on said sanctions) imposed or appealed in the year 2022, to/by the Covered Entities, that exceed the materiality threshold, for alleged tax fraud of Said Entity (not third parties) understood as one that, in the opinion of the tax authorities in the corresponding jurisdiction, could be considered tax fraud, in accordance with current regulations (thus excluding ordinary inspection procedures by the tax authorities that may lead to the questioning of positions or tax criteria adopted as long as they are not considered tax fraud). There are no sanctions imposed or appealed in 2022 against Covered Entities, which exceed the materiality threshold, for non-compliance with the above. There are no sanctions (or court rulings on said sanctions) imposed or appealed in 2022 against/by Covered Entities, that exceed the materiality threshold, for alleged violations of the labor regulations applicable to the Entity. There are no administrative sanctions (or court rulings on said sanctions) imposed or appealed in 2022 against/by Covered Entities, which exceed the materiality threshold, for alleged infringements of the environmental regulations applicable to the Entity [1].

2-28	Membership associations	NFIS/Our stakeholders/Society/ Compliance and conduct NFIS/Our stakeholders/Society/Contribution to society
Stakeholder engagement		
2-29	Approach to stakeholder engagement	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis
2-30	Collective bargaining agreements	NFIS/Our stakeholders/Employees/Work environment
	GRI 3: MATERIAL TOPICS	
Disclosures on material topics		
3-1	Process to determine material topics	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis
3-2	List of material topics	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis

(1) The information included in this metric covers entities that are members of the BBVA Group as of December 31, 2022 that are considered banks, insurance companies, investment fund managers or payment entities (referred to as the "Covered Entities").
The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses in general), by the entity in question, during the financial year 2022, excluding those derived from purely internal claims (customer service or customer advocate). The Fixing Rate as of 31/12/2022 is applied as the exchange rate.

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Economic performance					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Risks and opportunities associated with climate change NFIS/Our stakeholders/Employees/Remuneration Consolidated Financial Statements (Notes 2.2.12 and 25) NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results Climate change Commitment to employees
GRI 201 Economic performance	201-1	Direct economic value generated and distributed	The direct economic value generated during the 2022 financial year amounts to €24,550m (2021: €21,233m). The total direct economic value distributed is €15,685m in the same period (2021: €10,843m). As a result, the retained economic value (Direct economic value generated - Total direct economic value distributed) amounts to €8,898m (2021: €10,419m).	Global	Solvency and financial results
	201-2	Financial implications and other risks and opportunities due to climate change	NFIS/Report on climate change and other environmental and social issues/ Risks and opportunities associated with climate change	Global	Climate change
	201-3	Defined benefit plan obligations and other retirement plans	NFIS/Our stakeholders/Employees/Remuneration Consolidated Financial Statements (Notes 2.2.12 and 25)	Global	Solvency and financial results Commitment to employees
	201-4	Financial assistance received from government	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Market presence					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Employees/Remuneration	Global	Commitment to employees Diversity and work-life balance
GRI 202 Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	NFIS/Our stakeholders/Employees/Remuneration	Global	Commitment to employees Diversity and work-life balance
	202-2	Proportion of senior management hired from the local community	The percentage of management team working in their country of birth in the countries where the Group operates is 92.4% on December 31, 2022 (2021: 95.8%).	Global	Commitment to employees Diversity and work-life balance

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Indirect economic impacts					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues NFIS/Our stakeholders/Society/Contribution to society	Global	Inclusive growth
GRI 203 Indirect economic impacts	203-1	Infrastructure investments and services supported	NFIS/Report on climate change and other environmental and social issues NFIS/Our stakeholders/Society/Contribution to society	Global	Inclusive growth
	203-2	Significant indirect economic impacts	NFIS/Report on climate change and other environmental and social issues NFIS/Our stakeholders/Society/Contribution to society	Global	Inclusive growth

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Procurement practices					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Suppliers	Global	Inclusive growth Human Rights
GRI 204 Procurement practices	204-1	Proportion of spending on local suppliers	NFIS/Our stakeholders/Suppliers	Global	Inclusive growth Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Anti-corruption					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Compliance and conduct NFIS/Our stakeholders/Society/Contribution to society	Global	Corporate governance and adequate management of all risks Business ethics, culture and customer protection
GRI 205 Anti-corruption	205-1	Operations assessed for risks related to corruption	NFIS/Our stakeholders/Society/Compliance and conduct NFIS/Our stakeholders/Society/Contribution to society	Global	Corporate governance and adequate management of all risks Business ethics, culture and customer protection
	205-2	Communication and training about anti-corruption policies and procedures	NFIS/Our stakeholders/Society/Compliance and conduct	Global	Corporate governance and adequate management of all risks Business ethics, culture and customer protection
	205-3	Confirmed incidents of corruption and actions taken	GRI 205-3[(1)]: GRI 205-3 a), b) and c): The information refers to confirmed cases, that is, in which there is a firm sanction that entails its publication or final judgment issued in 2022, against any of the Covered Entities, for acts related to corruption (understood including acts of money laundering). according to the definition of the metric), including final convictions of a Covered Entity as subsidiary civil liability for crimes committed by its employees. Therefore, those cases in which the entity is the victim of the illegal conduct and those in which, due to the establishment of a strict liability system by law, the entity has to take charge of the amounts subject to fraud by a third party, are excluded. to a client. A firm sanction imposed in 2022 by the Mexican National Banking and Securities Commission against BBVA Mexico is reported as a result of a regular review process of AML-related regulations in 2018, in which minor inconsistencies were detected in regulatory reports. Said final sentence amounts to an amount of approximately 179 thousand euros. It has not resulted in the dismissal of any employee or the termination or non-renewal of contracts with suppliers or customers. GRI 205-3 d): The information refers to public and notorious cases, filed or in progress in 2022, against Covered Entities or their employees, for alleged acts related to corruption (in the sense indicated in the previous sections), in which no final judgment has been handed down: (i) an ongoing process is reported against BBVA, S.A. for alleged violations of Law 10/2010, of April 28, on the prevention of money laundering and terrorist financing, which led to the imposition of a penalty prior to the year 2022 for an amount of €13.1, and that it has not generated payments in the financial year 2022. The resolution is not final, having filed a contentious-administrative lawsuit against it; (ii) the Spanish judicial authorities are investigating the activities of the company Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). This investigation includes the provision of services to BBVA, S.A. (the bank). In this regard, on July 29, 2019, the Bank was notified of the order of the Central Investigating Court No. 6 of the National Court, declaring the Bank as an investigated party in preliminary proceedings 96/2017 - piece of investigation number 9 for alleged facts that could constitute the crimes of bribery, disclosure of secrets and corruption in business. On February 3, 2020, the Bank was notified of the order of the Central Investigating Court No. 6 of the National Court, which agreed to lift the secrecy of the proceedings. Certain current and former Group managers and employees, as well as former directors, are also being investigated in connection with this case, having shared with justice the relevant documentation obtained in the internal investigation contracted by the entity in 2019 to contribute to the clarification of the facts. As of the date of approval of the Financial Statements, no formal accusation has been made against the Bank for any crime. The aforementioned criminal procedure is in the investigation phase. Therefore, it is not possible to predict at this time its scope or duration or all its possible results or implications for the Group, including potential fines and damages or damages to the Group's reputation.	Global	Corporate governance and adequate management of all risks Business ethics, culture and customer protection

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Anti-competitive behavior					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Compliance and conduct	Global	Corporate governance and adequate management of all risks Business ethics, culture and customer protection
GRI 206 Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	A total number of 6 civil and administrative judicial processes are reported in progress in fiscal year 2022, in which it is being investigated whether any of the Covered Entities has participated in alleged anti-competitive agreements or in abuses of a dominant position prohibited under the regulations of applicable jurisdiction, such as the Spanish Competition Law, the competition provisions of the Treaty on the Functioning of the European Union, and equivalent regulations in other countries outside the EU. In some of these ongoing processes, resolutions favorable to the Covered Entity have been issued, although they are not yet final. In 2022, no sanctions have been imposed in relation to any of these processes, nor have any monetary losses been incurred. Additionally, there are 5 civil and administrative proceedings in progress or completed in 2022 against Covered Entities for alleged infringement of unfair competition regulations, which do not entail payments in 2022 [(1).]	Global	Corporate governance and adequate management of all risks Business ethics, culture and customer protection

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Tax					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Fiscal transparency Consolidated Financial Statements (Appendix XIII)	Global	Solvency and financial results
GRI 207 Tax	207-1	Approach to tax	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	207-2	Tax governance, control, and risk management	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	207-3	Stakeholder engagement and management of concerns related to tax	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	207-4	Country-by-country reporting	NFIS/Our stakeholders/Society/Fiscal transparency Consolidated Financial Statements (Appendix XIII)	Global	Solvency and financial results

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Materials					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table	Global	Climate change
GRI 301 Materials	301-1	Materials used by weight or volume	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table	Global	Climate change
	301-2	Recycled input materials used	The paper used by BBVA for consumption and reported in the Environmental Footprint Table is recycled or environmentally certified in most geographical areas (Argentina, Colombia, Spain, Mexico, Peru, Turkey and Portugal) amounts to 79,2%	Global	Climate change
	301-3	Reclaimed products and their packaging materials	Due to the economic activity of BBVA, the only products that could be considered in the report are those coming from the activity of the branches and the restaurants linked to them.. As the volume of these products is small and the financial activity itself linked to BBVA's business is completely separated from them, this metric is considered non-material.		

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Energy					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts(2), Evolution of the Global Eco-efficiency Plan Indicators Table, Environmental Footprint Table		Climate change
GRI 302 Energy	302-1	Energy consumption within the organization	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts (2), Environmental Footprint Table	Global	Climate change
	302-2	Energy consumption outside of the organization	Energy consumption outside the organization from business trips (plane and train) and employee travel amounts to 365.917 Gigajoules (GJ) with the following breakdown: - 352,286 GJ of Commuting (of Central Services employees) - 13,631 GJ of Business Travel (train and plane travel) The conversion factors used have been calculated based on the factors provided by DEFRA.		Climate change
	302-3	Energy intensity	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts(2), Evolution of the Global Eco-efficiency Plan indicators Table	Global	Climate change
	302-4	Reduction of energy consumption	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts(2), Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan indicators Table	Global	Climate change
	302-5	Reductions in energy requirements of products and services	Given the nature of the products and services that BBVA sells, it is currently not possible to obtain the information about the reductions of these requirements, according to the defined reporting criteria by the standard. However, the entity reports the reductions in energy consumption inherent to its activity in which it has direct management capacity for the reduction.		

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Water and effluents					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change Natural capital
GRI 303 Water and effluents	303-1	Interactions with water as a shared resource	Due to the economic activity of a financial institution such as BBVA, water consumption is not intensive, being only for employee use, and for vegetation and air conditioning in some buildings. However, BBVA has installed gray water recycling systems and rainwater recirculation for irrigation at the headquarters in Spain and Mexico or the installation of dry urinals in some of the buildings in Spain. An analysis by geographic area (pessimistic 2030 scenario) of uses is carried out through the WRI tool: Aqueduct Projected Water Stress Country Rankings; with the following result: - 78.1% of our consumption has a high or extremely high extraction and demand ratio; - 8.6% of our consumption has a medium extraction and demand ratio; - 13.3% of our consumption has a low extraction and demand ratio.	Global	Climate change Natural capital
	303-2	Management of water discharge-related impacts	Due to the fact that the economic activity of a financial entity such as BBVA, whose effluents are those of the activity of its offices and the restoration linked to them, this metric and its different breakdowns are considered non-material due to their low impact. Therefore, the discharges are considered insignificant and comply with the regulations of the areas in which they are made.		
	303-3	Water withdrawal	Due to the economic activity of a financial entity such as BBVA, no type of water extraction is carried out in any of its buildings		
	303-4	Water discharge	Due to the economic activity of a financial entity such as BBVA, it is considered that the discharge of water is the same as the water consumed	Global	Climate change Natural capital
	303-5	Water consumption	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change Natural capital

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Biodiversity					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of indirect environmental and social impacts	Global	Natural capital
GRI 304 Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas far from protected areas or areas of great value for biodiversity. Therefore, it is considered that neither this metric nor its breakdowns are material at present, the entity undertakes to follow-up for its report in the future, if necessary.	Global	Natural capital
	304-2	Significant impacts of activities, products, and services on biodiversity	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas, so the impacts of the entity's activities on biodiversity are considered not significant. Regarding its activity, within the Environmental and Social Framework, BBVA is committed to the loss of biodiversity and the fight against deforestation through its role as a financial intermediary between the economy, the environment and society. For more information on the Framework, the general exclusions and specific prohibited activities defined in this Framework, as well as the methodology that the BBVA Group uses to identify the levels of environmental impact and dependencies, see the NFIS/Report on climate change and other environmental and social issues chapter/ Management of direct and indirect impacts/Management of indirect environmental and social impacts		
	304-3	Habitats protected or restored	The metric describes the size of the protected or restored areas of habitats. BBVA's financial activity, as well as the activity of its offices, has no impact in this regard; therefore, this metric and its various breakdowns are currently considered non-material.		
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	The total number of species that appear on the IUCN Red List and national conservation lists, whose habitats are in areas affected by the organization's operations, by level of extinction risk (critically endangered, endangered, vulnerable, near threatened and of concern less); it is not material, since BBVA's financial activity, as well as the activity of its offices, does not have an impact in this regard. Therefore, this metric and its various breakdowns are currently considered non-material.		

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Emissions					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table NFIS/Other information/Compliance tables/Contribution to the Sustainable Development Goals/Impact metrics	Global	Climate change

GRI 305 Emissions	305-1	Direct (Scope 1) GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators. In addition to the published data on Scope 1 emissions in tCO_2e, the breakdown by other types of GHG is: - CO_2: 21,174.51 tCO_2 - CH_4: 52.33 t CH_4 - N_2O: 69.81 t N_2O The emission factors used have been calculated based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories emission factors for GHG emissions from facility fuels and DEFRA emission factors are used for diesel and gasoline from vehicle fleets. Emissions from refrigerant gases are not included in this breakdown, since DEFRA's emission factors for the "Refrigerant & Other" category only indicate CO_2 equivalent.	Global	Climate change
	305-2	Energy indirect (Scope 2) GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators. In addition to the published data on Scope 2 emissions in tCO_2e, the breakdown by other types of GHG is: MARKET-BASED: - CO_2: 12,030.11 tCO_2 - CH_4: 17.74 t CH_4 - N_2O: 25.58 t N_2O LOCATION-BASED: - CO_2: 205,795.52 tCO_2 - CH_4: 169.37 t CH_4 - N_2O: 562.10 t N_2O The emission factors used are calculated based on contractual data and, failing that, on the latest emission factors available from the IEA for each country.	Global	Climate change
	305-3	Other indirect (Scope 3) GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.(2)(4) In addition to the published data on Scope 3 emissions in tCO_2e (train and plane business travel category), the breakdown by other types of GHG is: - CO_2: 14,622.43 tCO_2 - CH_4: 1.77 t CH_4 - N_2O: 74.58 t N_2O Emissions from waste management or employee commuting are not included in this breakdown. The emission factors used are those published by DEFRA in 2021.	Global	Climate change
	305-4	GHG emissions intensity	NFIS/Other information/Compliance tables/Contribution to the Sustainable Development Goals/Impact metrics	Global	Climate change

	305-5	Reduction of GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table (2) (3)	Global	Climate change
	305-6	Emissions of ozone-depleting substances (ODS)	This metric includes ODS production, imports and exports in metric tons of CFC 11 (trichlorofluoromethane) equivalent and standards, methodologies, etc. necessary for its calculation. Since BBVA's economic activity is that of a financial institution, no substances that deplete the ozone layer are produced or exported and/or imported.		
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	BBVA emissions of other types of pollutants into the atmosphere are: - NOx: 13,936.67 tNOx - SOx: 3,868.61 tSOx These data only include emissions due to the use of fuels in the facilities of BBVA buildings. The factors used are those published by the European Environmental Agency: "EMEP/EEA air pollutant emission inventory guidebook 2019" for the "Commercial / institutional: stationary" sector, "Tier 1" typology for each of the types of fuels.	Global	Climate change

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Waste					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change
GRI 306 Waste	306-1	Waste generation and significant waste-related impacts	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change
	306-2	Management of significant waste-related impacts	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change
	306-3	Waste generated	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change
	306-4	Waste diverted from disposal	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change
	306-5	Waste directed to disposal	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Supplier Environmental Assessment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Suppliers	Global	Climate change Business ethics, culture and customer protection
GRI 308. Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	BBVA launched in Spain a supplier evaluation pilot with ESG criteria to reinforce a responsible supply chain. The model covers a wide range of aspects evaluated in terms of sustainability and will be progressively implemented in all geographical areas where the Group has a significant environmental and social footprint during 2023. NFIS/Our stakeholders/Suppliers	Global	Climate change Business ethics, culture and customer protection
	308-2	Negative environmental impacts in the supply chain and actions taken	BBVA launched in Spain a supplier evaluation pilot with ESG criteria to reinforce a responsible supply chain. The model covers a wide range of aspects evaluated in terms of sustainability and will be progressively implemented in all geographical areas where the Group has a significant environmental and social footprint during 2023. NFIS/Our stakeholders/Suppliers	Global	Climate change Business ethics, culture and customer protection

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Employment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Employees/Professional development NFIS/Our stakeholders/Employees/Working environment/Work organization	Global	Commitment to employees Diversity and work-life balance
GRI 401 Employment	401-1	New employee hires and employee turnover	NFIS/Our stakeholders/Employees/Professional development	Global	Commitment to employees Diversity and work-life balance
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Due to the low percentage of employees with part-time and temporary contracts of BBVA in the period of the year, this metric and its breakdown are considered non-material; since the conditions and benefits received by employees are regulated by collective agreements, social agreements and other tools that guarantee fair treatment and adequate conditions to the particular characteristics of the contracts established with employees. However, the entity will monitor this metric to ensure that its annual report adjusts to the situation for the period.		
	401-3	Parental leave	NFIS/Our stakeholders/Employees/Working environment/Work organization	Global	Commitment to employees Diversity and work-life balance

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Labor/Management relations					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Employees	Global	Commitment to employees
GRI 402 Labor/Management relations	402-1	Minimum notice periods regarding operational changes	The significant organizational changes foreseen in the collective bargaining agreements are analyzed on a case-by-case basis, so the negative impact on employees can be avoided or mitigated.	Global	Commitment to employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Occupational health and safety					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
GRI 403 Occupational health and safety	403-1	Occupational health and safety management system	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
	403-2	Hazard identification, risk assessment, and incident investigation	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
	403-3	Occupational health services	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
	403-4	Worker participation, consultation, and communication on occupational safety and health	NFIS/Our stakeholders/Employees/Working environment/Occupational health and safety The frequency of the health and safety committees in the countries (with the exception of Spain and Mexico) is as follows: In Peru, the Health and Safety Committees meet monthly. The responsibilities are described in the national legislation in relation to the approval of the evaluation of the Occupational Health and Safety (OSH) policy, Internal OSH Regulations, Annual OSH Plan, training schedule, etc. The Colombian Committee also meets monthly and addresses different topics focused on the Occupational Health and Safety Management System, which includes the promotion of worker health and safety, prevention of work accidents and occupational diseases. , among others. In Chile, there is a Joint Hygiene and Safety Committee, required by law in companies with more than 25 workers. In Uruguay, there is a "Labor Well-being and Working Conditions" committee that meets every six months, created by the August/2013 Collective Agreement, whose objective is to receive, analyze and process solutions to possible problems raised regarding working conditions. from the work context that may affect personal well-being and the correct performance of tasks. In Venezuela there are also Health and Safety Committees in each building. In Bolivia, the Mixed Occupational Hygiene and Safety Committee also meets quarterly and its function is to ensure compliance with all safety and hygiene measures at work.	Global	Commitment to employees
	403-5	Worker training on occupational safety and health	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
	403-6	Promotion of worker health	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees

	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
	403-8	Workers covered by an occupational health and safety management system	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Global	Commitment to employees
	403-9	Work-related injuries	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health	Spain	Commitment to employees
	403-10	Work-related ill health	NFIS/Our stakeholders/Employees/Working environment/Occupational safety and health Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified	Spain	Commitment to employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Training and education					
GRI 3 Material topics	3-3	Management of material topics	The best and most engaged team/Professional development	Global	Commitment to employees
GRI 404 Training and education	404-1	Average hours of training per year per employee	NFIS/Our stakeholders/Employees/Professional development	Global	Commitment to employees
	404-2	Programs for upgrading employee skills and transition assistance programs	NFIS/Our stakeholders/Employees/Professional development	Global	Commitment to employees
	404-3	Percentage of employees receiving regular performance and career development reviews	Performance evaluation is a continuous process carried out over the year, which analyzes the level of performance of each of the BBVA Group employees, based on the level of execution of some previously established targets. In general, this process applies to all the Group's employees.	Global	Commitment to employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Diversity and equal opportunity					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Employees/Professional development Annual Corporate Governance Report (section C) NFIS/Our stakeholders/Employees/Remuneration	Global	Diversity and work-life balance
GRI 405 Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	NFIS/Our stakeholders/Employees/Professional development Annual Corporate Governance Report (section C) The age groups are reported according to the ranges of <30 years / between 30 and 39 years / between 30 and 39 years / ≥50 years	Global	Diversity and work-life balance
	405-2	Ratio of basic salary and remuneration of women to men	NFIS/Our stakeholders/Employees/Remuneration	Global	Diversity and work-life balance

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Non-discrimination					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Employees/Proffesional development/Diversity, inclusion and different capacities NFIS/Our stakeholders/Society/Commitment to Human Rights	Global	Human Rights Diversity and work-life balance
GRI 406 Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	During financial year 2022, the sexual harassment protocol has been activated in the Group on 13 occasions, having verified the existence of sexual harassment in 8 cases that ended in the dismissal of the people reported. The moral harassment protocol has been activated on 1 occasion, and in this case there is no conduct constituting moral harassment. During the 2021 financial year, the protocol for sexual or moral harassment was not activated. NFIS/Our stakeholders/Employees/Proffesional development/Diversity, inclusion and different capacities NFIS/Our stakeholders/Society/Commitment to Human Rights	Global	Human Rights Diversity and work-life balance

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Freedom of association and collective bargaining					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Suppliers NFIS/Our stakeholders/Employees/Working environment/Freedom of association and representation	Global	Human Rights Commitment to employees
GRI 407 Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	BBVA has not identified any operations or suppliers as having significant risk related to freedom of association and collective bargaining	Global	Human Rights Commitment to employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Child labor					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Suppliers	Global	Human Rights
GRI 408 Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	BBVA has not identified any operations or suppliers as having significant risk related to child labor	Global	Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Forced or compulsory labor					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Suppliers	Global	Human rights
GRI 409 Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	BBVA has not identified any operations or suppliers as having significant risk related to forced or compulsory labor	Global	Human rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Security practices					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Commitment to Human Rights	Global	Human Rights
GRI 410 Security practices	410-1	Security personnel trained in human rights policies or procedures	In most of the geographic areas where BBVA operates, national legislation requires that security guards must have specific official qualifications or trainings whose agendas, in many cases, include elements directly related to the respect of the human rights. At BBVA, security personnel is a 100% a outsourced service. In 2021, the evaluation procedure was strengthened, as an improvement plan arising from the Human Rights Due Diligence Plan carried out in 2021, in relation to the actions of said service in order to carry out a periodic analysis and control at BBVA Group facilities with a focus on potential misuse of force.	Global	Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Rights of indigenous peoples					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of indirect environmental and social impacts/Ecuador principles	Global	Human Rights
GRI 411 Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous people	BBVA has reinforced due diligence procedures associated with the financing of projects whose development affects indigenous peoples. When this circumstance happens, the free, prior and informed consent (FPIC) of these people must be obtained regardless of the geographic location of the project. What it means to expand the current requirement of PEs to all the countries in which the Group operates. In 2022, a total of 40 operations have been evaluated (42 operations evaluated in 2021). [4]	Global	Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Human rights assessment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Commitment to Human Rights NFIS/Our stakeholders/Suppliers [5]	Global	Human Rights Business ethics, culture and customer protection
GRI 412 Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	BBVA has not identified any significant impacts with respect to human rights in its workplaces.	Global	Human Rights
	412-2	Employee training on human rights policies or procedures	During the 2022 financial year, 71,834 attendees from the different geographical areas in which BBVA operates have completed a total of 112,836 hours of internal training in courses related to Human Rights. Specifically, these courses include both those in which their content covers one or more of the 28 issues of the internal taxonomy of Human Rights topics, prepared by the Sustainability area, as well as those courses that incorporate general content on Human Rights. BBVA counts the number of attendees taking each course. Each employee has the possibility of attending more than one training in the reporting period.	Global	Human Rights Business ethics, culture and customer protection
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NFIS/Our stakeholders/Society/Commitment to Human Rights NFIS/Our stakeholders/Suppliers [5]	Global	Human Rights Business ethics, culture and customer protection

General note: With the update of the GRI "Universal Standards" in 2021, the contents of the GRI 412 thematic standard "Assessment of human rights" were incorporated into the revised Universal Standards. However, in order to improve the understanding of the information on Human Rights, the breakdowns on the GRI 412 thematic standard are maintained in its 2016 version.

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Society					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Contribution to society	Global	Inclusive growth Business ethics, culture and customer protection
GRI 413 Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	NFIS/Our stakeholders/Society/Contribution to society NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Equator principles	Global	Inclusive growth Business ethics, culture and customer protection
	413-2	Operations with significant actual and potential negative impacts on local communities	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Equator principles BBVA provides information on the most relevant social and environmental impacts and the management applied to investment projects financed and advised by the bank within the framework of the Equator Principles at https://shareholdersandinvestors.bbva.com/sustainability-and-responsible-banking/principles-and-policies/responsible-project-finance/	Global	Inclusive growth Business ethics, culture and customer protection

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Supplier Social Assessment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Suppliers		Inclusive growth Business ethics, culture and customer protection Human Rights
GRI 414. Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	BBVA launched in Spain a supplier evaluation pilot with ESG criteria to reinforce a responsible supply chain. The model covers a wide range of aspects evaluated in terms of sustainability and will be progressively implemented in all geographical areas where the Group has a significant environmental and social footprint during 2023. NFIS/Our stakeholders/Suppliers	Global	Inclusive growth Business ethics, culture and customer protection Human Rights
	414-2	Negative social impacts in the supply chain and actions taken	BBVA launched in Spain a supplier evaluation pilot with ESG criteria to reinforce a responsible supply chain. The model covers a wide range of aspects evaluated in terms of sustainability and will be progressively implemented in all geographical areas where the Group has a significant environmental and social footprint during 2023. NFIS/Our stakeholders/Suppliers	Global	Inclusive growth Business ethics, culture and customer protection Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Public policy					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Society/Compliance and conduct NFIS/Our stakeholders/Society/Contribution to society	Global	Business ethics, culture and customer protection
GRI 415 Public policy	415-1	Political contributions	BBVA's policy in countries does not allow contributions of this type NFIS/Our stakeholders/Society/Compliance and conduct NFIS/Our stakeholders/Society/Contribution to society	Global	Business ethics, culture and customer protection

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Customer health and safety					
GRI 416 Customer health and safety	416-1	Assessment of the safety and health impacts of product and service categories	Due to the characteristics of BBVA's economic activity as a financial entity and of the products and services offered, the evaluation of the impacts on safety and health of the product categories and services is not material.		
	416-2	Incidents of non-compliance concerning the safety and health impacts of products and services	Due to the characteristics of BBVA's economic activity as a financial entity and the products and services it offers, there are no cases of non-compliance regarding the impacts on safety and health of the categories of products and services that give rise to fines or sanctions, warnings or non-compliance with voluntary codes. Therefore, this metric is not material.		

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Marketing and labeling					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Customers/Behavior with customers NFIS/Our stakeholders/Society/Compliance and conduct	Global	Simplicity, agility and self-service Financial health and personalized advice to customers Business ethics, culture and customer protection
GRI 417 Marketing and labeling	417-1	Requirements for product and service information and labeling	The Product Governance Policy establishes the principles to be observed in order to serve the interests of customers throughout the product life cycle. The Product Governance and Operational Risk Admission Committee evaluates, among others, the information and labeling requirements of the products prior to their launch. For further details on other measures or lines of action promoted by BBVA in the field of information and labeling of products and services, see the section "Clients" within the chapter "Our stakeholders" of this report [(6)].	Global	Simplicity, agility and self-service Financial health and personalized advice to customers Business ethics, culture and customer protection
	417-2	Incidents of non-compliance concerning product and service information and labeling	In 2022 , the following has been identified [(7)]: A fine of 10 thousand euros imposed on BBVA Argentina by the Secretary of Commerce for non-compliance with the Consumer Protection Law (No. 24,240) and the Annex to Resolution No. 104/2005 as a result, among other reasons, of the lack of a link to the Consumer Defense on the web. The fine has been paid. The fine is being appealed in contentious-administrative proceedings.	Global	Simplicity, agility and self-service Financial health and personalized advice to customers Business ethics, culture and customer protection
	417-3	Incidents of non-compliance concerning marketing communications	In 2022, the following has been identified [(8)]: A fine of 10 thousand euros imposed on BBVA Argentina by the Secretary of Commerce for non-compliance with the Consumer Defense Law (No. 24,240) as a result of the lack of information in advertising. The fine has been paid. The fine is being appealed in contentious-administrative proceedings.	Global	Simplicity, agility and self-service Financial health and personalized advice to customers Business ethics, culture and customer protection

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Customer privacy					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Our stakeholders/Customers/Customer care NFIS/Our stakeholders/Customers/Customer security and protection Consolidated Financial Statements (Note 24)	Global	Cibersecurity Responsible use of data Business ethics, culture and customer protection
GRI 418 Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Substantiated claims information is included in: NFIS/Our stakeholders/Customers/Customer care NFIS/Our stakeholders/Customers/Customer security and protection Information related to judicial and administrative proceedings is included in: SASB CF 220a.2 "Total amount of monetary losses as a result of legal proceedings related to customer privacy"	Global	Cibersecurity Responsible use of data Business ethics, culture and customer protection

(1) The information included in this metric covers entities that are members of the BBVA Group as of December 31, 2022 that are considered banks, insurance companies, investment fund managers or payment entities (referred to as the "Covered Entities"). The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses in general), by the entity in question, during the financial year 2022, excluding those derived from purely internal claims (customer service or customer advocate). The Fixing Rate as of 31/12/2022 is applied as the exchange rate.

(2) The limitations on the scope of the indicator, the perimeter and the criteria followed in the estimates are detailed in the table referenced. The Global Eco-efficiency Plan Indicators have been calculated according to the number of employees of the buildings, understanding as such the sum of the average workforce and the estimation of the third parties that work in the Bank's facilities.

(3) In relation to business trips, only the emissions derived from the plane and train trips of Group employees are reported.

(4) It is only reported on operations analyzed in relation to compliance with the Equator Principles.

(5) The information regards employees trained in BBVA's Code of Conduct

(6) The information refers to the systematized approval processes to which the products that the entities of the BBVA Group manufacture or distribute as of December 31, 2022, as well as other measures or lines of action promoted by said entities in the field of information transparency.

(7) The information refers to the number of warnings and/or sanctioning proceedings of a public nature, in progress or completed, that the supervisory bodies have indicated during the financial year to some of the entities of the BBVA Group as of December 31, 2022 as consequence of breaches of regulations or voluntary codes related to the information provided to customers and/or the labeling of products and services. For the purposes of reporting the amount of penalties in euros, the fixed rate at 31/12/2022 is applied as the exchange rate.

(8) The information refers to the number of warnings and/or sanctioning proceedings of a public nature, in progress or completed, that the supervisory bodies have indicated during the financial year to some of the entities of the BBVA Group as of December 31, 2022 as a result of breaches of regulations or voluntary codes related to marketing communications. For the purposes of reporting the amount of penalties in euros, the fixed rate at 31/12/2022 is applied as the exchange rate.

5.2.4 Index of contents of the Principles of Responsible Banking UNEP-FI

UNEP-FI PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX		
Reporting and Self-Assessment Requirements	**High-level summary of the Bank's response**	**Reference(s)/Link(s) to full Bank's response/relevant information**
Principle 1: Alignment **Align the business strategy so that it is coherent and contributes to the needs of people and the objectives of society, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1. BUSINESS MODEL Describe (in detail) your bank's business model, including the main customer segments served, the types of products and services provided, the main sectors and classes of activities in the main geographic markets in which your bank operates or provides products and services. Also quantify the information disclosed, e.g., the distribution of your bank's portfolio (%) in terms of geographic markets, segments (ie, by balance and/or off-balance sheet) or by disclosing the number of clients served.	BBVA is a global financial group founded in 1857 with a customer-focused vision, which currently has more than 87 million customers and more than 115,000 employees. BBVA is present in more than 25 countries, has a leading position in the Spanish market, is the largest financial institution in Mexico and has leading franchises in South America and Turkey. At the end of 2022, BBVA had more than 738 billion assets, 87.4 million customers and 6,050 branches. BBVA focuses its business mainly on retail banking, business banking and corporate and investment banking (Corporate & Investment Banking).	See section "BBVA in brief. Who we are".
1.2. STRATEGY ALIGNMENT Does your corporate strategy identify and reflect sustainability as a strategic priority(s) for your bank? ☒ Yes Please describe how your bank has aligned and/or plans to align its strategy so that it is consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	In 2018, BBVA published its "Objective 2025" based on 3 lines of action: - Mobilize sustainable business between 2018 and 2025 for an amount of €100,000m to contribute to the fight against climate change and the Sustainable Development Goals. This objective was raised to €200bn in 2021 and up to €300bn in 2022. - Manage direct and indirect environmental and social risks. - Involve all stakeholders to collectively promote the contribution of the financial sector to sustainable development. In 2019, BBVA incorporated sustainability as one of its 6 strategic priorities at a global level, placing sustainability as a business strategy. See more detail in the sections indicated in this annual report	See section: 2.1. Strategy. A differential bank for our customers with a unique value proposition 2.3.1 Committed to sustainability
Does your bank also reference any of the following sustainability regulatory reporting requirements or frameworks in its strategic or policy priorities to implement them? ☒ United Nations Guiding Principles on Business and Human Rights ☒ Fundamental Conventions of the International Labor Organization ☒ United Nations Global Compact ☒ United Nations Declaration on the Rights of Indigenous Peoples ☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g., on climate risk ☒ All applicable regulatory reporting requirements on social risk assessments, e.g., about modern slavery	BBVA's commitment to human rights (published on the web) takes the United Nations Guiding Principles on Business and Human Rights as a point of reference. Its purpose is to guide the entire organization in its strategic vision, in its operations and in the relationship with its stakeholders. The commitment assumes the application of the content of: ▰ The Universal Declaration of Human Rights; ▰ The International Bill of Human Rights; ▰ The United Nations Global Compact; ▰ The United Nations Declaration on the Rights of Indigenous Peoples; ▰ The Principles for the Empowerment of Women: ▰ The OECD Guidelines for Multinational Enterprises; ▰ The fundamental conventions of the International Labor Organization (ILO); ▰ The Equator Principles; ▰ The United Nations Principles for Responsible Investment; In relation to regulatory information requirements on environmental and social risk assessments, it is worth mentioning the following European frameworks (approved or under negotiation) that require reporting or disclosure of ESG aspects and to which BBVA is monitoring: - CSRD (Corporate Sustainability Reporting Directive) and future standards in the process of being defined by the EFRAG (European Financial Reporting Advisory Group) and the ISSB (International Sustainability Standards Board). - CSDD (Corporate Sustainability Due Diligence Directive) - Taxonomy Regulation (art. 8 disclosures - GAR): in addition to art.8, art. 5 and 6 for financial products and in SFDR art. 8 and 9 and the RTS - IRS (Implementing Technical Standards) of the EBA on Pillar 3 disclosures on Environmental, Social and Governance (ESG) risks - SFDR (Sustainable Finance Disclosure Regulation) and RTS - Law 7/2021 Climate Change Law in Spain Likewise, in 2017, BBVA committed to the FSB's TCFD recommendations and has been reporting TCFD reports in line with its commitment to transparency. In its TCFD 2022 report, BBVA plans to incorporate elements of a Transition Plan for the first time, following the guides and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.	See section: 2.3.7 Participation in international initiatives 2.3.6 Management of direct and indirect impacts" See "BBVA and Human Rights" on the web page for shareholders and investors.
Principle 2: Impact and goal setting **Continuously increase positive impacts while reducing negative impacts and manage risks to people and the environment resulting from activities, products and services. To this end, set and publish targets where you can have the most significant impacts.**		
2.1 IMPACT ANALYSIS **Demonstrate that your bank has conducted an impact analysis of your portfolio(s) to identify your most significant areas of impact and determine priority areas for targeting.**		
BBVA has carried out an analysis of the impact of its portfolio/s to identify its most significant impact areas and determine the priority areas for setting objectives.		

a) Scope: What is the scope of your bank's impact analysis? Describe which parts of the bank's main business areas, products/services in the main geographic markets in which the bank operates (as described in point 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included and why.	1. In 2022, BBVA has carried out an impact analysis using version 3 of the UNEP-FI Portfolio Impact Analysis Tool for Banks. The Consumer Banking (retail portfolio) and Institutional Banking (wholesale portfolio) business areas have been included. The Investing Banking business area has not been considered as it represents less than 1% of the gross margin of the BBVA Group. The banking activity of the BBVA Group in Spain, Mexico, Turkey, Peru, Colombia and Argentina has been included. Activity in Chile, Uruguay and Venezuela and a small part of the corporate banking portfolio in Turkey have not been considered. 2. Likewise, BBVA has carried out an evaluation of the dependencies and impacts in relation to natural capital using the ENCORE tool. 3. Additionally, in line with the United Nations Guiding Principles on Business and Human Rights, in 2021 BBVA carried out a new Human Rights due diligence process in order to prevent, mitigate and remedy potential impacts on human rights.	See section: 2.2 Our stakeholders Commitment to Human Rights 3. Financial information" In addition to the Impact Analysis Tool for Banks UNEP-FI.
b) Portfolio composition: Has your bank considered the composition of your portfolio (in %) in the analysis? Please provide a proportionate composition of your portfolio globally and by geographic scope i) by sectors and industries for business, corporate and investment banking portfolios (i.e. sector exposure or breakdown by industry in %), and/or ii) by products and services and by types of customers for consumer and individual banking portfolios. If your bank has taken another approach to determining the scale of the bank's exposure, please provide further details, to show how you have considered where the bank's core or principal activities lie in terms of industries or sectors.	The scope of this impact analysis covers 98.91% of the retail portfolio (Consumer Banking) and 99.11% of the business and corporate banking portfolio (Institutional Banking). The composition of the portfolio has been broken down worldwide and by geographical scope, dividing it by type of product and type of client (in the case of Consumer Banking) and by NACE of financed activity sectors (in the case of Institutional Banking). 1. Consumer Banking. Geographic distribution of the portfolio: 58.62% Spain, 19.62% Mexico, 8.58% Turkey, 5.33% Peru, 5.27% Colombia and 1.49% Argentina. The most relevant products for low-income customers are: 64.81-034 Home loans/mortgages and 64.81-032 Consumer loans & overdraft. The type of client has also been taken into account (low-income clients vs. other clients) 2. Institutional Banking. Geographic distribution of the portfolio: 62.55% Spain, 16.91% Mexico, 10.89% Turkey, 5.07% Peru, 2.91% Colombia and 0.78% Argentina. The most relevant sectors at the Exposure at Default level are: 84 Public administration and defense; compulsory social security 35 Electricity, gas, steam and air conditioning supply 46 Wholesale trade, except of motor vehicles and motorcycles 61 Telecommunications 68 Real estate activities	Impact Analysis Tool for Banks UNEP-FI.
c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your customers operate? Please describe how these have been considered, including which stakeholders have been involved to help inform this element of the impact analysis. This step aims to put the impacts of your bank's portfolio in the context of the needs of society.	A context analysis has been carried out in Argentina, Colombia, Peru, Spain, Turkey and Mexico from version 3 of the UNEP-FI Portfolio Impact Analysis Tool for Banks "Context Module". This context module includes data sources such as the Sustainable Development Report 2021 and UN Global SDG Database, as well as indicators published by the World Health Organization, World Resources Institute, etc. This context analysis has been contrasted with the BBVA teams in each of the countries analyzed and has revealed the following as the main challenges and priorities in all the countries considered in the scope: 1. Climate change including Circularity. 2. Inclusive Growth: availability, accessibility, affordability and quality of financial resources and services. In this sense, the Group's General Sustainability Policy contemplates these issues as the main focuses of action in terms of sustainability.	Impact Analysis Tool for Banks UNEP-FI. BBVA global sustainability policy available on the shareholders and investors website
Based on these first three elements of an impact analysis, what areas of positive and negative impact has your bank identified? What areas of significant impact (at least two) did you prioritize to follow your target setting strategy (see 2.2). Disclose.	As a result of the analysis described in the previous sections, BBVA has prioritized 2 areas of impact where BBVA believes that it could have a significant impact due to the activity it carries out: 1.. Climate change: with a focus on energy efficiency (SDG 7), the circular economy (SDG 12) and the reduction of CO_2 emissions (SDG 13) 2. Inclusive growth: with a focus on decent work and economic growth (SDG 8) and on Industry, innovation and infrastructure (SDG 9) with business initiatives around financial inclusion, support for entrepreneurship and inclusive infrastructures. BBVA has already set impact targets linked to the decarbonisation of its portfolio in the first of these: Climate Change and is working to set impact targets for Inclusive Growth in 2023 as a signatory to the Collective Commitment for Education and Financial Inclusion promoted by UNEP-FI. To do this, it is using the guidelines for banks for UNEP-FI's "Goal Setting for Financial Inclusion and Health".	See section Materiality analysis: Identification of relevant aspects of the chapter 2.2 Our stakeholders 2.2.5 Contribution to society 2.3.3 Management of risks associated with climate change and environmental factors 2.3.6 Management of direct and indirect impacts and https://www.bbva.com/es/sostenibilidad/bbva-updates-its-progress-in-sustainability-with-the-publication-of-its-third-report -tcfd/

d) Performance measurement: Has your bank identified which sectors and industries, as well as the types of clients it finances or invests in, are causing the strongest real positive or negative impacts? Describe how you evaluated their performance, using appropriate indicators related to significant impact areas that apply to your bank's context. When determining priority areas for target setting among your areas of greatest significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the resulting social, economic and environmental impacts of the bank's activities and the provision of products and services. If you have identified climate and/ or health and financial inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex. If your bank has taken another approach to assess the intensity of the impact resulting from the bank's activities and the provision of products and services, please describe it. The output of this step will also provide the baseline (including indicators) that you can use to set goals in two areas of greatest impact.	BBVA has identified the sectors and type of clients or areas where the financing activity has a greater positive and negative impact, establishing objectives that it monitors on a recurring basis. The 6 sectors for which decarbonization targets have been published are: power generation, oil & gas, autos, steel, cement, and coal. BBVA is working to set decarbonisation targets in additional sectors such as air transport and maritime transport. In identifying these sectors and customers, the following has been taken into account: (i) The main business areas: retail banking, corporate banking and corporate and investment banking. (ii) The countries in which it operates (iii) The composition of the portfolio by sector and the most relevant challenges and priorities in the environment. (iv) The importance of the identified social, economic and environmental impacts resulting from the bank's activities in each country and area of impact.	Impact Analysis Tool for Banks UNEP-FI.

SELF-ASSESSMENT SUMMARY

Which of the following components of the impact analysis has your bank completed, in order to identify the areas where your bank has its most significant (potential) positive and negative impacts?
Range: Yes
Portfolio Composition: Yes
Context: yes
Performance Measurement: Yes

What most significant impact areas have you identified for your bank, as a result of the impact analysis?
Climate Change (including circular economy) and Inclusive Growth

How recent is the data used and disclosed in the impact analysis? Up to 12 months before publication

2.2 ESTABLISHMENT OF OBJECTIVES

Demonstrate that your bank has established and published a minimum of two targets that address at least two different areas of greatest impact that you identified in your impact analysis

BBVA has established specific, measurable (quantitative), achievable, relevant and time-bound (SMART) goals, in line with science and the most ambitious goals of the Paris Agreement, in one of the two areas identified as "highest impact areas": "Climate Change". BBVA is working to set targets in the impact area of "Inclusive Growth" in 2023. To this end, it is using the UNEP-FI guidelines for banks for "Target Setting for Inclusion and Financial Health".

a) Alignment: What international, regional or national policy frameworks for aligning your bank's portfolio have you identified as relevant? Demonstrate that the selected indicators and targets are linked to and drive alignment and further contribution to the appropriate Sustainable Development Goals, Paris Agreement targets and other relevant international, national or regional frameworks.	"Target 1. Climate Change (decarbonization) BBVA takes 1.5ºC scenarios as a reference, specifically the net zero emissions scenario of the International Energy Agency (IEA). BBVA will measure performance through the following measurement units: 1. Intensity of emissions per production unit for four sectors (electricity generation, cars, steel and cement). These intensity metrics follow the SDA (Sectoral Decarbonization Approach) methodology and are aligned with PACTA (Paris Agreement Capital Transition Assessment). 2. CO_2 emissions in absolute value (measured in tons of CO_2 equivalent) for the oil and gas portfolio. They are calculated using the PCAF methodology for the calculation of the attribution factor. The main source of emissions data has been the database provided by an independent third party. 3. Exposure at Default measured in millions of euros for the coal sector.	See section: 2.1.3 Strategy: Main advances in the execution of the strategy 2.3 Report on climate change and other environmental and social issues
b) Baseline: Have you determined a baseline for the selected indicators and assessed the current level of alignment? Indicate the indicators used, as well as the year of the baseline.	Target 1. Climate Change (decarbonization): In relation to its Climate Change objective, BBVA has established 2020 as the base year for calculating the decarbonization objective for 5 sectors (electricity generation, autos, steel, cement, and coal) and the year 2021 for the oil & gas sector. The indicators used are indicated in the right column.	See section "2.3.4 Management of risks associated with climate change and environmental factors"
c) SMART Objectives (including Key Performance Indicators (KPIs)): Disclose the objectives for your first and second areas of greatest impact, if they already exist (as well as other areas of impact, if any). What KPI are you using to monitor progress toward achieving the goal? Disclose it.	Target 1. Climate Change (decarbonization). See detail in the column on the right. The decarbonization targets are shown for six sectors (utilities, oil and gas, automobiles, steel, cement, and coal) in the unit of measurement detailed in section 2.2.a)	See section "2.3.4 Management of risks associated with climate change and environmental factors: Identification, measurement and integration of climate change risk into risk management: Loan portfolio alignment with Paris

d) Action plan: What actions that include milestones have you defined to meet the established objectives? Describe them. Also demonstrate that your bank has analyzed and recognized significant (potential) indirect impacts of the objectives set within the impact area or other impact areas and has established relevant actions to avoid, mitigate or offset possible negative impacts.	Target 1. Climate Change (decarbonization). milestones and action plan. in order to monitor decarbonization objectives and supervise their compliance, the Bank has approved a governance framework made up of those responsible for the Business, Risk, Sustainability and Strategy areas that report directly to senior management and corporate bodies. In addition, BBVA has developed a series of internal tools that allow it to integrate the management of these objectives into the day-to-day business and risk processes. Likewise, sectoral plans have been developed in the Oil & Gas and Electricity sectors (which includes electricity generation), which has made it possible to define strategies and business plans aimed at meeting decarbonization objectives. This work is an input for the definition of the risk appetite of the Sectoral Frameworks. During 2023, it is planned to undertake the sectoral plans of the rest of the sectors for which a decarbonisation objective has been defined (auto, steel, cement and coal). The negative impact is mitigated and reduced through the processes detailed in section 5.3. of this table (Environmental and Social Framework, Equator Principles and human rights due diligence process).	See section 2.3.4 Risk management associated with climate change and environmental factors: Loan portfolio alignment with Paris Agreement 2.3.6 Management of direct and indirect impacts

SELF-ASSESSMENT SUMMARY

Which of the following target setting components in line with PRB requirements has your bank completed or is currently in an assessment process for your first and second areas of greatest impact?

First area of greatest impact: **Target 1. Climate Change (decarbonization)** BBVA has set targets in this area of impact Alignment: Yes Base Year: Yes SMART goals: Yes Action plan: Yes	Second area of greatest impact: **Target 2. Inclusive Growth** BBVA is working to set targets in this area of impact in 2023. Alignment: Ongoing Base Year: Ongoing SMART goals: Ongoing Action plan: Ongoing

2.3 IMPLEMENTATION AND MONITORING OF OBJECTIVES

Demonstrate that your bank has implemented the actions that you had previously defined to meet the established objective

BBVA is implementing the actions to meet the established "Climate Change" objective and will implement measures in the second area of impact - "Inclusive Growth" - once it has established and published objectives in 2023.

For each goal separately: Demonstrate that your bank has implemented the actions that you had previously defined to meet the established objective. Report on your bank's progress since the last report towards the achievement of each of the stated objectives and the impact of its progress, using the indicators and KPIs to monitor progress that you have defined in 2.2. Or in case of changes in the implementation plans (relevant only for the 2nd and subsequent reports): Describe the potential changes (changes in priority impact areas, changes in indicators, acceleration/ revision of objectives, introduction of new ones). milestones or revisions to action plans) and explain why those changes have become necessary.	Target 1. Climate Change (decarbonization) This Annual Report includes, for the six sectors for which decarbonization objectives have been defined, the metrics chosen, the scope of emissions considered, the data for the base year, the data as of 12-31-2022 (degree of annual progress), the methodology used and the 2030 decarbonization target measured as a percentage reduction over the base year. See references in this table for more detail. Likewise, BBVA has published other ESG objectives related to its 2 areas of greatest impact: – Climate Change and Inclusive Growth: BBVA carries out monthly monitoring of the 2025 Objective of mobilizi.ng sustainable business (target: €300,000m between 2021-2025). Between 2018 and 2022, BBVA has mobilized €135.871m – In addition, BBVA has reduced its direct CO_2 emissions by 70% compared to 2015 (Target: -68%) and 92% of the energy contracted by BBVA is renewable (Target: 70% in 2025 and 100% in 2030). – Commitment to the Community 2025 (target: €550m and 100 million beneficiaries between 2021 and 2025): BBVA carries out monitoring every six months. At the end of 2022, €226.2m have been invested and 62.1 million people have benefited.	See section 2.3.4 Management of risks associated with climate change and environmental factors: Identification, measurement and integration of climate change risk into risk management: Loan portfolio alignment with Paris Agreement" 2.3.6 Management of direct and indirect impacts 2.2.5. Society

Please provide your bank's conclusion/statement if you have met the requirements regarding Plans for Target Implementation and Monitoring

BBVA has carried out an analysis of the impact of its portfolio/s to identify its most significant impact areas and determine the priority areas for the establishment of objectives.
BBVA has established and published an objective that addresses an area of greatest impact identified in its impact analysis as "Climate Change".
BBVA is working to set targets in the second area of impact, which is "Inclusive Growth" in 2023. To this end, it is using the guidelines for banks for "Setting targets for Financial Inclusion and Health" from UNEP-FI.
BBVA is implementing the actions to meet the "Climate Change" objective established and will implement measures in the second area of impact -"Inclusive Growth"- once it has established and published objectives in 2023.

Principle 3: CLIENTS
Working responsibly with customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 INVOLVEMENT WITH CLIENTS Does your bank have a customer engagement policy or process to encourage sustainable practices? Yes Does your bank have a policy for the sectors in which you have identified the greatest (potential) negative impacts? Yes Please describe how your bank has worked and/or plans to work with its clients to promote sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support client transition, selected indicators of client engagement and, where possible, impacts achieved. This should be based on and in line with impact analysis, goal setting and action plans established by the bank.	This Annual Report details how the integration of ESG aspects is carried out in the relationship and involvement with customers, whether in ESG support and involvement with wholesale clients (corporate and institutional) and companies or in ESG support and involvement with retail customers. See references in the right column. Since 2021, more than 300 groups have been analyzed under the Environmental and Social Framework and BBVA has started a dialogue and support plan with 17 groups.	See section: 2.4.3 Additional information on the BBVA Group's sustainability standards and frameworks 2.4.4 Integration of ESG aspects in customer relationships: IIntegrating ESG in relations with wholesale (corporate and institutional) customers and other business customers; Integration of ESG aspects with retail customer relationships; and ESG knowledge transfer.

3.2 BUSINESS OPPORTUNITIES Please describe what strategic business opportunities in relation to increasing positive impacts and reducing negative impacts your bank has identified and/or how it has addressed these in the reporting period. Please provide information on existing products and services, information on sustainable products developed in terms of value (in USD or local currency) and/or as a % of your portfolio, and on which SDGs or impact areas you strive to have a positive impact (e.g, green mortgages — climate, social bonds—financial inclusion, etc.).	Sustainability is a lever for growth for BBVA and it has a holistic approach, with a focus on climate action and inclusive growth, and covers all segments. To capture this opportunity, work is being done on five lines of growth, as detailed in the sections indicated in this annual report and in the column on the right. Between 2018 and 2022, BBVA has mobilized a total of €135,871m in sustainable business.	See section: 2.3.3 Risks and opportunities associated with climate change
Please provide your bank's conclusion/statement if you have met the requirements regarding Principle 3 Clients		
BBVA works responsibly with its customers to promote sustainable practices and enable economic activities that generate shared prosperity for current and future generations.		
Principle 4: Interested parties **Proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve societal objectives.**		
4.1 IDENTIFICATION AND CONSULTATION OF INTERESTED PARTIES Does your bank have a process for regularly identifying and consulting, engaging, collaborating and partnering with stakeholders (or stakeholder groups) that you have identified as relevant in relation to the impact analysis and target setting process? Yes Please describe which stakeholders (or stakeholder groups/types) you have identified, consulted or involved or with which stakeholders you have collaborated or partnered in order to implement the Principles and enhance the impacts of your bank. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed or what results were achieved, and how they contributed to the action planning process.	In accordance with the General Sustainability Policy, BBVA integrates into its businesses and activities the concerns of its stakeholders (customers, employees, shareholders and investors, suppliers, regulators and supervisors, and society in general), on social and environmental issues, on diversity, fiscal responsibility, respect for human rights and prevention of corruption and other illegal conduct. Throughout this Annual Report, progress and results relating to each of the aforementioned interest groups are mentioned, as well as specific consultation actions carried out (through recurring surveys of customers, non-customers, employees, suppliers, surveys and questions received from analysts and investors, civil society, etc.; human rights due diligence process, etc.) In 2021, the active participation of interest groups in the human rights due diligence process was identified as an area to be strengthened. In 2022, a consultation process with key stakeholders has been carried out. The results obtained were integrated into the 2021-2022 Human Rights Action Plan itself. For more than 20 years, BBVA has actively participated in different supranational initiatives and always in close collaboration with all stakeholders, which revolve around various priority areas such as Universal Frameworks of Reference, decarbonization in line with the Agreement of Paris, market standards, transparency and financial regulation.	See section: 2.2 Our stakeholders 2.3.4 Management of risks associated with climate change and environmental factors 2.3.7 Participation in international initiatives 2.2.4. Society . Commitment to Human Rights
Please provide your bank's conclusion/statement if you have met the requirements regarding Principle 4. Interested Parties		
BBVA consults, participates and maintains a proactive and responsible dialogue with the relevant stakeholders to achieve the established objectives		
Principle 5: Government and culture **Implement commitment to these Principles through effective governance and a responsible banking culture**		
5.1. GOVERNANCE STRUCTURE FOR THE IMPLEMENTATION OF THE PRINCIPLES Does your bank have a governance system that incorporates PRB? Yes Please describe the relevant governance structures, policies and procedures that your bank has put in place/ plans to put in place to manage significant (potential) positive and negative impacts and support the effective implementation of the Principles. This includes information about which committee has responsibility for the sustainability strategy, as well as the approval and monitoring of the targets (including information about the highest level of governance to which the PRBs are subject), details about the chair of the committee and the process and frequency for the board to monitor the implementation of the PRB (including corrective actions in the event that objectives or milestones are not met or unexpected negative impacts are detected), as well as remuneration practices linked to sustainability objectives.	The Global Sustainability Area is responsible for the implementation of the sustainability strategy and has the support of the corporate bodies. Reports directly to the president and CEO and to the Board of Directors. The BBVA Board of Directors has approved the decarbonisation objectives (Target 1. Climate Change) and receives information on the degree of compliance on a regular basis according to the established governance model (through the Global Sustainability Area and the Sustainability Alignment Steering Group). As of 2023 and subject to the approval of the corresponding corporate bodies, the BBVA Directors Remuneration Policy and the BBVA Group General Remuneration Policy are expected to include, as part of the Annual Variable Remuneration of the members of the Identified Group, including executive directors and members of the Senior Management of BBVA, a long-term incentive linked, among other things, to the degree of compliance with the decarbonisation objectives of a series of sectors for which the Bank publishes specific objectives.	See section: 2.3. Report on climate change and other environmental and social issues 2.3.2 Governance model 2.2.3. Employees, Remuneration
5.2 PROMOTE A RESPONSIBLE BANKING CULTURE Please describe your bank's initiatives and measures to foster a culture of responsible banking among its employees (e.g., skills development, e-learning, sustainability training for customer-facing roles, inclusion in compensation structures and performance management and leadership communication, among others).	BBVA has a comprehensive sustainability training program for its employees at all levels, including senior management and members of the Board of Directors with the aim of providing the necessary skills so that Group professionals can address sustainability from their different areas of activity. This report details the number of employees trained in sustainability. See references in the right column. In addition, the remuneration of all employees is linked to sustainability objectives. Specifically, the non-financial indicators used in 2022 to calculate the Annual Variable Remuneration of all employees include the indicator of Mobilization of sustainable business. Likewise, an indicator linked to ESG aspects has been included in the variable remuneration scheme for executive directors (with a specific weight of 10%), which reinforces the commitment of both the chair and the CEO, so that BBVA achieves its sustainable development goals, in line with the strategic priority of "Helping our clients in their transition towards a sustainable future".	See section: 2.2.3. Employees, Training

5.3 DUE DILIGENCE POLICIES AND PROCESSES Does your bank have policies that address environmental and social risks within its portfolio? Describe them. Please describe what due diligence processes your bank has in place to identify and manage environmental and social risks associated with your portfolio. This may include aspects such as the identification of significant/ outstanding risks, the mitigation of environmental and social risks and the definition of action plans, the monitoring and reporting of risks and any existing grievance mechanisms, as well as the structures of governance that it has established to supervise these risks.	To address environmental and social risks, BBVA has the following frameworks for action: - Environmental and Social Framework, where the sectors with the greatest environmental and social impact are identified (mining, agribusiness, energy, infrastructure and defense). BBVA has established prohibitions at the project level, including customer support plans. - Equator Principles, for project finance in which BBVA participates. - Human Rights due diligence process, for all areas of BBVA. - Identification and assessment of sectors sensitive to transition risk, quantification of exposure to carbon-sensitive sectors and setting of portfolio decarbonization targets in 6 sectors intensive in CO_2 emissions that represent 80% of CO_2 emissions worldwide. Following international reference frameworks such as the SASB Materiality Map and rating agencies, BBVA has identified the sub-sectors of activity that it finances and the most relevant environmental and social factors in each one. This is used as a support tool in the admission process. In the case of natural capital, BBVA has identified the levels of impact and dependencies by sector following the methodology of the ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure) developed by the Natural Capital Finance Alliance in collaboration with with UNEP-WCMC. This tool makes it possible to find out how the activity of the sub-sectors that BBVA finances depends on nature.	See section: 2.3.7 Participation in international initiatives 2.3.6 Management of direct and indirect impacts

SELF-ASSESSMENT SUMMARY

Does the CEO or other senior executives have regular oversight over the implementation of the Principles through the bank's governance system? Yes

Does the governance system include structures to oversee the implementation of the PRB (e.g., including impact analysis and target setting, actions to achieve these targets, and corrective action processes in case targets are not met?) /milestones or unexpected negative impacts are detected)? Yes

Does your bank have measures to promote a culture of sustainability among employees (as described in 5.2)? Yes

Please provide your bank's conclusion/statement if you have met the requirements regarding the Governance Structure for the implementation of the Principles:

The Board of Directors defines, promotes and monitors the sustainability and climate change strategy.

With the creation of the new Global Sustainability Area reporting to the CEO and also reporting to the Chair, BBVA has strengthened its governance structure in order to ensure full compliance with these Responsible Banking Principles. A specific model has been created that monitors the degree of compliance with the Climate Change objective linked to decarbonisation.

Likewise, BBVA has measures to promote a culture of sustainability among employees and directors.

Principle 6: Transparency and responsibility

Periodically review our individual and collective implementation of these Principles and be transparent and accountable for the positive and negative impacts and contribution to the objectives of society.

6.1. CHECK Has this publicly disclosed information about your PRB commitments been guaranteed by an independent insurer? Yes. If applicable, include the link or description of the assurance statement	The information disclosed in the sections Impact Analysis [2.1], Establishment of objectives [2.2], Implementation and monitoring of objectives [2.3] and Governance structure for the implementation of the Principles [5.1] has been verified by Ernst & Young Auditores, S.L., in its capacity as an independent provider of verification services, with the scope indicated in its verification report.	See section: Independent Assurance Report
6.2 REPORTING WITHIN OTHER FRAMEWORKS Does your bank disclose sustainability information in any of the standards and frameworks listed below? ☒ GRI ☒ SASB ☒ CDP ☒ IFRS Sustainability Disclosure Standards ☒ TCFD ☒ Others	Among the different existing standards, BBVA includes its non-financial information in the Statement of non-financial information. In addition to GRI, BBVA publishes progress in terms of ESG breakdowns in accordance with two of the most advanced standards in the market: Measuring Stakeholder Capitalism from the International Business Council (IBC) and the World Economic Forum (WEF) and the Sustainability Accounting Standards Board (SASB). In its TCFD 2022 report, BBVA plans to incorporate elements of a Transition Plan for the first time, following the guides and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.	See section: 5.2.5 Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

6.3 PERSPECTIVE What are the next steps your bank will take in the next 12-month reporting period (particularly with regard to impact analysis, target setting, and governance structure for PRB implementation)?	In the next 12 months, BBVA plans to: - Publish an objective in the second area of greatest impact detected through the impact analysis carried out: Inclusive Growth. - Publish decarbonization targets in other significant sectors detailed in the Net Zero Banking Alliance guidelines such as aviation and shipping. - Continue measuring the annual progress of the degree of progress of the metrics. - Continue measuring the annual progress of the degree of progress of the decarbonization metrics. - Continue measuring the financed issues of its credit portfolio in additional geographical areas to Spain. - Draft sectoral Plans for the sectors for which decarbonization objectives are published. - Include a long-term incentive indicator linked to the decarbonization of its credit portfolio for the identified group and the president and CEO. - Publish information on the risks and opportunities of climate change in accordance with the standard of the Working Group on Climate Financial Disclosures (TCFD) and incorporate elements of a Transition Plan following the guides and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ). - Disclose in a consistent, reliable and standardized manner the essential environmental, social and governance aspects related to your business. - Deepen the understanding of the risks and opportunities derived from natural capital. - Monitor the Action Plans derived from the Human Rights due diligence process in the countries where it is present. - Continue advancing from BBVA Asset Management to publish decarbonization targets in other portfolios in addition to those for which it has already published targets, as a member of the Net Zero Asset Managers Initiative. BBVA's progress in implementing these principles is published annually in the BBVA Group Annual Report. Additionally, the subsidiaries BBVA Argentina, BBVA Garanti (Turkey) and BBVA Mexico, as signatories of the Principles for Responsible Banking at the local level, also publish their annual progress reports.
CHALLENGES This is a short section to learn about the challenges your bank may face in implementing the Principles for Responsible Banking. Your feedback will be helpful in contextualizing the collective progress of the PRB signatory banks. What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Choose what you consider to be the top three challenges your bank has prioritized addressing in the last 12 months (optional question). If you wish, you can explain the challenges and how you are addressing them:	☐ Mainstreaming PRB oversight into government ☐ Build momentum or keep it in the bank ☐ Getting started: where to start and what to focus on at first ☐ Carrying out an impact analysis ☐ Assessment of negative environmental and social impacts ☐ Choose the appropriate performance measurement methodology (ies) ☒ Goal setting ☐ Other ... ☒ Involvement with customers ☐ Involvement of interested parties ☒ Data availability ☐ Data quality ☐ Access to resources ☐ Reporting ☐ Assurance ☐ Prioritize actions internally

Please provide your bank's conclusion/statement if you have met the requirements regarding progress in implementing the principles for responsible banking:

BBVA periodically reviews the implementation of these Principles and has published the positive and negative impacts and their contribution to the company's objectives.
BBVA has continued to strengthen transparency with the publication of its third TCFD report, SASB metrics and WEF/IBC Stakeholder Capitalism Metrics, as well as decarbonisation targets for its portfolio. It has also increased its objective of mobilizing sustainable finance to €300,000m, and has published new objectives related to the decarbonization of its portfolio. It maintains its objective regarding its commitment to the community. BBVA is working to set targets in the area of impact of Inclusive Growth in 2023. To do this, it is using the guidelines for banks for the "Setting targets for Inclusion and Financial Health" from UNEP_FI.

5.2.5 Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

BBVA's objective is to disclose in a consistent, reliable and standardized manner the essential aspects of ESG (environmental, social and governance matters) related to its business. Among the different existing standards, BBVA includes its non-financial information in the Non-Financial Information Statement for the year 2022, included in this report, in accordance with the Global Reporting Initiative (GRI) guide.

Additionally and voluntarily, as last year, BBVA has reported the WEF-IBC metrics as well as the SASB - Commercial Banks standards, SASB - Consumer Finance standards and SASB - Morgage Finance standards:

- WEF-IBC core metrics. BBVA was one of the first entities worldwide to support the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the World Economic Forum (WEF).
- WEF-IBC metrics expanded. Together with the core metrics, the expanded metrics allow for a broader and more detailed scope in the value chain; and convey the impact in a more tangible way.
- Sustainability Accounting Standards Board (SASB) - Commercial Banks standards, Consumer Finance standards and Morgage Finance standards. The Sustainability Accounting Standards Board establishes standards to guide companies on the disclosure of relevant and consistent financial information in terms of sustainability. With the complete report of these metrics, the Group's management is more clearly reflected and identified for more accurate decision-making by customers.

More and more companies are reporting their performance according to these two metrics and BBVA will continue to work on its objective of satisfying the demands of investors, regulators, customers and other interest groups; to maintain or improve its ESG performance.

WEF-IBC core metrics

Contents index of WEF-IBC. Core metrics

Topic	Metric	Reporting criteria	BBVA Group's response
PRINCIPLES OF GOVERNANCE			
Governing purpose	Setting purpose	The British Academy and Colin Mayer, GRI (2-12), Embankment Project for Inclusive Capitalism (World Economic Forum Integrated Corporate Governance - EPIC) and others.	NFIS/Strategy/Purpose, values and strategic priorities, Our Objectives NFIS/Report on climate change and other environmental and social issues
Quality of governing body	Governing body composition	GRI (2-9), GRI (405-1a), IR 4B.	Corporate Government Annual Report (hereinafter, CGAR) C.1.1 to C.1.12, C.2.1 and C.2.2.
Stakeholders engagement	Material issues impacting stakeholders	GRI (2-12), GRI (2-29, GRI (3-2).	NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis
Ethical behavior	Anti-corruption: 1.Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. 2. Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and 3.Total number and nature of incidents of corruption confirmed during the current year, related to this year.	GRI (205-2), GRI (205-3).	NFIS/Our stakeholders/Society/ Compliance and conduct
	Protected ethics advice and reporting mechanisms: 1. Seeking advice about ethical and lawful behavior and organizational integrity; 2. Reporting concerns about unethical or unlawful behavior and lack of organizational integrity; 3. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	GRI (2-26).	NFIS/Our stakeholders/Society/ Compliance and conduct
Risk and opportunity oversight	Integrating risk and opportunity into business process.	EPIC, GRI (2-16), World Economic Forum Integrated Corporate Governance, IR 4D.	NFIS/Our stakeholders/Customers/Customers safety and protection NFIS/Risk Management/General risk management and control model NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
PLANET			
Climate change	Greenhouse gas (GHG) emissions	GRI (305:1-3), Task Force on Climate-Related Financial Disclosures (hereinafter, TCFD) recommendations, GHG Protocol.	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect environmental impacts/ Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Ecoefficiency Plan Indicators Table BBVA will continue working on the next exercises advance the disclosure about this metric.

	TCFD implementation	TCFD Recommendations; CDSB R01, R02, R03, R04 y R06; SASB 110; Science Based Targets initiative.	NFIS/Report on climate change and other environmental and social issues BBVA TCFD report.
Nature loss	Land use and ecological sensitivity	GRI (304-1).	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas far from protected areas or areas of great value for biodiversity. For this reason, this metric is considered non-material at the present time, the entity undertakes to follow-up for its report in the future if necessary.
Freshwater availability	Water consumption and withdrawal in water-stressed areas.	SASB CG-HP-140a.1, Aqueduct water risk atlas tool, World Resources Institute (hereinafter, WRI).	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect environmental impacts/ Management of direct environmental impacts, Environmental Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators An analysis by geographic area (pessimistic 2030 scenario) of uses is carried out through the WRI tool: Aqueduct Projected Water Stress Country Rankings; with the following result: - 78.1% of our consumption has a high or extremely high extraction and demand ratio; - 8.6% of our consumption has a medium extraction and demand ratio; - 13.3% of our consumption has a low extraction and demand ratio.
PEOPLE			
Dignity and equality	Diversity and inclusion.	GRI (405-1b).	NFIS/Our stakeholders/Employees/Professional development
	Pay equality (%).	GRI (405-2).	NFIS/Our stakeholders/Employees/Remuneration
	Wage level (%) Ratio of standard entry level wage by gender compared to local minimum wage. Ratio of the annual total compensation of the best paid person and the median of the annual total compensation of all its employees (except the best paid person).	GRI (202-1), adapted from the Dodd-Frank Act, US SEC Regulations.	NFIS/Our stakeholders/Employees/Remuneration
	Risk for incidents of child, forced or compulsory labour.	GRI (408-1b), GRI (409-1).	BBVA has not identified centers or suppliers likely to have significant risks in relation to episodes of forced labor. Other information/Compliance tables/GRI Standards content index
Health and well-being	Safety and health - rate of fatalities and rate of absenteeism.	GRI:2018 (403-9 a y b), GRI:2018 (403-6).	NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health
Skills for the future	Training provided - Average hours of training and average expenditure per full time employee.	GRI (404-1), SASB HC 101-15.	NFIS/Our stakeholders/Employees/Professional development
PROSPERITY			
Employment and wealth generation	Absolute number and rate of employment.	Adapted from GRI (401-1 a and b) in order to include more metrics on diversity and inclusion.	NFIS/Our stakeholders/Employees/Professional development
	Economic contribution.	GRI (201-1), GRI (201-4).	Other information/Compliance tables/GRI Standards content index
	Financial investment contribution: 1. Total capital expenditures (CapEx) minus depreciation. 2.Shares buybacks plus dividend payments	Aligned with IAS 7 and US GAAP ASC 230.	The information that forms part of the indicator is collected in the Consolidated Financial Reports (for example in Notes 4, 17 and 18) and the Consolidated management report of BBVA Group.

Innovation of better products and services	Total R&D expenses.	US GAAP ASC 730.	The total annual expense and investment in technological software development projects, including both the cost of external resources and the cost corresponding to the internal personnel of the teams dedicated to projects during the financial year 2022 amounted to €1,031m (€931m in 2021).
Community and social vitality	Total tax paid The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	GRI (201-1) and GRI (207-4).	NFIS/Our stakeholders/Society/Fiscal transparency

General note: For WEB - IBC standards the "Reporting criteria" column is included as they have been developed on the basis of other international standards. As a consequence of the update of the GRI Standards in 2021, the references indicated in the "Reporting Criteria" column have been adapted where necessary.

WEF-IBC expanded metrics

Contents index of WEF-IBC. Expanded metrics

Topic	Metric	Reporting criteria	BBVA Group's response
PRINCIPLES OF GOVERNANCE			
Governing Purpose	Purpose-led management	GRI 2-12	NFIS/Strategy/Purpose, values and strategic priorities, Our Objectives NFIS/Report on climate change and other environmental and social issues
Quality of governing body	Progress against strategic milestones	EPIC	NFIS/Strategy/Main advances in the execution of the strategy NFIS/Our stakeholders NFIS/Additional information/Additional information on materiality analysis
	Remuneration - How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics. - Remuneration policies for the highest governance body and senior executives for the following types of remuneration: fixed pay and variable pay, sign-on bonuses or recruitment incentive payments, termination payments, clawbacks, retirement benefits.	GRI 2-12	NFIS/Our stakeholders/Employees/Remuneration
Ethical behaviour	Alignment of strategy and policies to lobbying	GRI 415: Public Policy	The BBVA Group collaborates with organizations that share its vision and whose activity is aligned with its objectives, such as industry associations, employer associations, chambers of commerce and the most prestigious Think Tanks, which carry out studies on regulatory, financial, digital, sustainability, financial inclusion and financial education, in those countries where the Group has a significant presence. BBVA makes an effort to be in the sector representation forums in those countries where it has a presence. These collaborations are added to the intellectual contribution to promote the transformation of the sector, which the Group carries out directly through the research activity and the development of analyzes of its studies department. These institutional activities are always carried out with the utmost transparency, without interfering, conditioning or influencing the political pluralism of the societies in which the Group is present. On the other hand, BBVA supports the Sustainable Action Plan of the European Commission, which has been a very positive first step in directing investments towards sustainable activities and projects. The bank has been involved in consultation processes and various activities with regulatory and supervisory bodies to promote sustainable financial regulation and in 2022 has taken an active role in the framework of future EU legal initiatives.
	Monetary losses from unethical behaviour	SASB 510a.1	For issues related to corruption, please refer to the information included in the GRI 205-3 metric. For issues related to certain regulatory breaches, please refer to the information included in the GRI metric 2-27. For issues related to competition, please refer to the information included in the GRI 206 metric. In relation to the monetary losses incurred in the scope of the "Commercial Banks" industry, please refer to the information included in the SASB CB 510 a.1 metric ("Total amount of monetary losses as a result of legal proceedings associated with fraud , insider trading, antitrust, anti-competitive behavior, market manipulation, malpractice or other laws or regulations related to the financial industry"). There are no monetary losses incurred in 2022 by banking entities that are members of the BBVA Group as of December 31, 2022 due to resolutions imposed by price manipulation practices or insider trading [1].
Risk and opportunity oversight	Economic, environmental and social topics allocation framework	CDSB REQ-02	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts
PLANET: EXPANDED METRICS AND DISCLOSURES			

Climate change	Paris- alligned GHG emissions targets Define and report progress against time-bound science-based GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.	Science Based Targets initiative	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts
	Impact of GHG emissions	US EPA fact sheet on the Social Cost of Carbon (2016), Natural Capital Protocol (2016), ISO 14008: Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts
Nature loss	Land use and ecological sensitivity	New metric	Since BBVA is a financial entity, most of its suppliers are technological and there is no use of the land for forestry, agriculture or mining, this metric is considered non-material since the breakdowns included, land area used for the production of plants, animals or mineral products, are not applicable to BBVA's activity or its supply chain.
	Impact of land and conversion	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	BBVA's economic activity and its products and services have no significant impact on biodiversity (neither positive nor negative), since its operations centers and/or offices are located in urban areas. For this reason, it is considered that this metric is not material at present, and the entity undertakes to follow up on its report in the future if necessary.
Freshwater availability	Impact of freshwater consumption and withdrawal	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	Due to the fact that the economic activity of a financial entity such as BBVA, whose consumption and extraction of water are those of the activity of its offices and its restoration, this metric is considered non-material, since both the extraction and consumption are considered insignificant.
Air Pollution	Air pollution	GRI 305-7	BBVA's emissions of other types of pollutants into the atmosphere are mainly: - NOx: 13,936.67 t NOx - SOx: 3,868.61 tSOx These data only include emissions due to the use of fuels in the facilities of BBVA buildings and branches located in urban areas. The factors used are those published by the European Environmental Agency: "EMEP/EEA air pollutant emission inventory guidebook 2019" for the "Commercial / institutional: stationary" sector, "Tier 1" typology for each of the types of fuels.
	Impact of air pollution	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	For BBVA, air pollution does not have a significant impact due to the activities it carries out. Despite this, its management is considered relevant, as reflected in the Global Eco-efficiency Plan. However, at the date of the report, there is no methodology or reliable data source that allows calculating the impact of air pollution linked to the company's own activity.

Water pollution	Nutrients	SASB CN0101-11	Given that in the nature of BBVA's activities, no nitrogen, phosphorus or potassium is present in fertilizers, this is considered a non-material metric, since its activities do not cause ecological or public health problems in this regard.
	Impact of water pollution	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	Due to the fact that the economic activity of a financial institution such as BBVA, whose effluents are those of the activity of its offices and its restoration, this metric and its different breakdowns are considered non-material, since the discharges are considered not significant and comply with the regulations of the areas in which they are located.
Solid waste	Single- use plastics	New metric	Throughout 2022, initiatives to reduce disposable single-use plastics have been established, so the value is not reported as it is insignificant.
	Impact of solid waste disposal	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	For BBVA, the generation and management of waste does not have a significant impact due to the activities it carries out. However, for BBVA it is important to properly manage them and this is reflected in their commitments in the Global Eco-efficiency Plan or in the ISO 14001 or zero waste certifications that they have implemented. Although there is currently no reliable methodology or source from which to take the impact values, work will continue in the coming years to advance in the dissemination of this metric.
Resource availability	Resource circularity	WBCSD Circular Transition Indicators Ellen MacArthur Foundation	Due to the economic activity of BBVA, the only products to which this metric refers and to which it can be alluded in the company, are those originating from the activity of the offices and the related restaurants. In this way, and since the volume of these products is not significant and that the financial activity related to BBVA's business is completely separated from them, this metric is considered non-material.
PEOPLE: EXPANDED METRICS AND DISCLOSURES			
Dignity and equality	Pay gap (%, #) - Mean pay gap of basic salary and remuneration of full-time relevant employees based on gender (women to men) and indicators of diversity -Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees	Adapted from UK Government guidance on gender and ethnicity pay gap reporting, GRI 2-21	NFIS/Our stakeholders/Employees/Remuneration
	Discrimination and harassment incidents (#) and the total amount of monetary losses ($)	GRI 406-1, Adapted from SASB FR-310a.4	NFIS/Our stakeholders/Employees/Professional development/Diversity, inclusion and different capacities
	Freedom of association and collective bargaining at risk (%)	SASB CN0401-17, GRI 407-1, WDI 7.2	NFIS/Our stakeholders/Employees/Work environment/Freedom of association and representation
	Human rights review, grievance impact & modern slavery (#, %)	UN Guiding Principles, GRI 408-1a, Adapted from GRI 408-1a and GRI 409-1, WDI 7.5	NFIS/Our stakeholders/Society/Commitment to Human Rights
	Living wage (%)	MIT Living Wage Tool, EPIC	NFIS/Our stakeholders/Employees/Remuneration

Health and well-being	Monetized impacts of work-related incidents on organization (#, $)	Adapted indicator based on European Commission, Safe Work Australia	BBVA is working to develop methodologies that allow calculating the monetary impacts of work-related incidents within the Organization, in order to be able to report this metric in the future financial years.
	Employee well-being (#, %)	GRI:2018 403-10a&b, EPIC, Adapted from GRI:2016 403-2a	NFIS/Our stakeholders/Employees/Work environment/ Occupational safety and health
Skills for the future	Number of unfilled skilled positions (#, %)	WBCSD Measuring Impact Framework Methodology Version 1.0 (2008)	Banking activities and the functions that derive from them require professionals trained in different areas of expertise and knowledge in certain essential disciplines for the operation of the company. BBVA has three main challenges when developing a talent strategy: - Prepare for technology-driven disruptions, identify the skills and experience needed to compete in the future, and attract people with those skills. - Retain people with those skills through attractive value propositions. The new generations have different needs and expectations, in line with the new demands of customers: ability to work flexibly and continue on the path of promotion, diversity and inclusion practices, reputation, promotion of innovation efforts, etc. - Train and keep the staff updated in technical knowledge with updated training programs. NFIS/Our stakeholders/Employees/Professional development/Training
	Monetized impacts of training – Increased earning capacity as a result of training intervention (%, $)	Adapted from OECD, WDI 5.5	NFIS/Our stakeholders/Employees/Professional development/Training
PROSPERITY: EXPANDED METRICS AND DISCLOSURES			
Employment and wealth generation	Infrastructure investments and services supported	GRI 203-1	NFIS/Our stakeholders/Society/Contribution to society
	Significant indirect economic impacts	GRI 203-2	NFIS/Our stakeholders/Society/Contribution to society
Innovation of better products and services	Social value generated (%)	Adapted from GRI (FiFS7 + FiFS8) and SASB FN0102-16.a, EPIC	BBVA is working to develop methodologies that allow it to calculate this ratio and to be able to report this metric in future financial years.
	Vitality Index Percentage of gross revenue from product lines added in last three (or five) years, supported by narrative that describes how the company innovates to address specific sustainability challenges	Adapted from OECD Oslo Manual Section 8.3.1	BBVA is working, through the involvement of different areas of the Company, to develop systems in order to indetify new product lines that allow addressing specific sustainability challenges and be able to report this metric in future financial years.
Community and social vitality	Total Social Investment ($)	CECP Valuation Guidance	NFIS/Our stakeholders/Society/Contribution to society
	Additional tax remitted	Adapted from GRI 201-1	NFIS/Our stakeholders/Society/Fiscal transparency
	Total tax paid by country for significant locations	Adapted from GRI 201-1	NFIS/Our stakeholders/Society/Fiscal transparency

General note: For WEB - IBC standards the "Reporting criteria" column is included as they have been developed on the basis of other international standards. As a consequence of the update of the GRI Standards in 2021, the references indicated in the "Reporting Criteria" column have been adapted where necessary.

[(1)] The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses), by the affected entity, during the financial year 2022, excluding those derived from purely internal claims (customer service or customer ombudsman). The Fixing Rate as of 31/12/2022 is applied as the exchange rate.
The practice related to the behaviors described in metric is considered bad practice.

SASB-Commercial Banks

Contents index SASB. Commercial Banks

Topic	Metric	BBVA Group's response
Data security	(1) Number of data breaches, (2) Percentage of data breaches in which the subject was considered as PII (personal identification information) (3) Number of account holders affected by data breaches..	NFIS/Our stakeholders/Customers/Customer safety and protection BBVA will continue working on the future exercises to advance in the dissemination of this metric.
	Description of approach to identifying and addressing data security risks	NFIS/Our stakeholders/Customers/Customers safety and protection
Financial inclusion and capacity building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development. (1) Number and (2) amount of past due and non-accrual loans qualified to programs designed to promote small business and community development.	BBVA is working to develop a data identification and quantification system in line with its social standard in order to be able to report this metric in future years.
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers.	During 2022, BBVA has developed the first Sustainability Standard in which the segments of the population or customers that are considered a priority target of inclusive growth activities are identified, having defined specific income thresholds that allow the use of a checking account free of charge for customers in Mexico, Peru, Argentina, Turkey and Colombia. To be able to use a free checking account, a customer must meet certain thresholds that differ by geographic area: 1. Mexico: - Monthly income of a person with payroll: up to 8,000 Mexican pesos; - Monthly income of a person without payroll: average balance 1,500 Mexican pesos; 2. Peru: - Income of people with and without payroll: less than 1,200 Peruvian soles 3. Argentina: -All customers who have an active product that is not a Premium or Premium Word package. -All customers who have an average annual active or passive balance of less than 5,500 Argentine pesos (due to the inflationary characteristics of the country, this threshold is mobile, it is adjusted month by month to absorb the impact of inflation). 4. Turkey: - All clients with income less than 8,500 Turkish lira. Since Garanti BBVA does not have a formally defined level for low income per capita, the Bank will accept the gross minimum salary defined by the government and updated annually as the maximum low income threshold. The Bank will use an estimation model based on income statements, sources of income and the like to classify customers in low-income segments. As of December 31, 2022, the number of no-cost current accounts amounts to 1.6 million in Mexico, 1 million in Peru, 602 thousand in Turkey and 208 thousand in Argentina. Looking ahead to future years, BBVA will continue to work on developing and adapting both the current criteria and new ones to be defined, adapted to the realities of the geographies in which the Group is present.
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers.	Within the scope of the activity carried out to promote the financial inclusion of unbanked groups and improve the health and financial resilience of underbanked or underserved customers, the BBVA Group has developed various initiatives. A financial education pilot in BBVA Mexico stands out, which has benefited more than 29,000 customers as of December 31, 2022. Among these initiatives is training for young people and customers belonging to the low-income segment Additionally, in December 2021 BBVA, along with 30 other banks, adhered to the United Nations global commitment to promote financial inclusion and boost the financial health of its customers. Throughout 2022, the Group has participated in a working group led by the United Nations and made up of 75 organizations (signatory banks, international organizations such as the UN, IMF, World Bank, OECD and NGOs) to establish specific metrics and indicators that allow measure the impact of the initiatives and activities of the financial sector in terms of financial inclusion and financial health. The result of this work is the establishment of a base of 20 financial inclusion and health indicators, which will be worked on in 2023 to select the indicators that BBVA will use to report the progress of its activity in these areas.

Incorporation of Environmental, Social, and Governance Factors in credit analysis	Commercial and industrial credit exposure, by industry.	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.	For issues related to corruption, please refer to the information included in the GRI 205-3 metric. For issues related to certain regulatory breaches, please refer to the information included in the GRI metric 2-27. For issues related to competition, please refer to the information included in the GRI 206 metric. There are no monetary losses incurred in 2022 by banking entities that are members of the BBVA Group as of December 31, 2022 due to resolutions imposed due to price manipulation practices or insider trading in the "Commercial Banks" industry. Monetary losses amounting to €6.9m were incurred by BBVA, S.A. are included. due to judicial rulings (and transactional agreements reached in judicial proceedings) derived from alleged breaches of Law 57/1968, on the collection of amounts advanced in the construction and sale of homes [(1)].
	Description of whistleblower policies and procedures.	NFIS/Our stakeholders/Society/ Compliance and conduct
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category.	Financial information/Solvency
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.	Financial information/Solvency NFIS/Strategy/Main advances in the execution of the strategy
Activity metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business.	See table (1) below. Data includes information of BBVA Spain, BBVA Mexico and BBVA Peru.
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate.	See table (2) below. Data includes information of BBVA Spain, BBVA Mexico and BBVA Peru.

[(1)] For the purposes of this metric, the "Commercial Banks" industry is understood as Business and Corporation Banking (including Real Estate).
The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses), by banking entities that are members of the BBVA Group as of December 31, 2022, during the 2022 financial year, excluding those derived from merely internal claims (services of customer service or customer advocate). The Fixing Rate as of 31/12/2022 is applied as the exchange rate.
As a consequence of these monetary losses, in the ordinary course of their business, the affected entities carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the making of adjustments in internal operations or the adaptation of the corresponding documentation, such as the requirements for opening and maintaining accounts with real estate developers.
It is considered bad practice that related to the behaviors described in the metric. Amounts related to claims related to alleged lack of transparency or vices in the consent are not included, as they are considered outside the object of the metric.

[(1)] CURRENT AND SAVINGS ACCOUNTS ON NOVEMBER 30, 2022 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Personal	65,129	174,180
SME	2,519	18,232

[(2)] LOANS ON NOVEMBER 30, 2022 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Personal	23,090	118,364
SME	4,770	28,228
Corporate	3,790	108,894

SASB-Consumer Finance

Content index SASB. Consumer Finance

Topic	Metric	BBVA Group's response
Customer Privacy	Number of account holders whose information is used for secondary purposes	One of the requirements for clients to be able to obtain the benefits associated with the Election Account is the linking of products, that is, that in addition to the account itself, the client contracts or has contracted any of the products detailed in the contract; for example, insurance, pension plans, funds or financial products offered by BBVA. For this, BBVA needs to obtain from the insurers and managers of the financial products that have contracted certain personal data of the clients, in order to verify if you meet the link requirement with respect to them, to verify that the sufficient link with BBVA and not charge commissions where appropriate. This information is requested on a monthly basis so that BBVA can verify compliance with the linkage requirements related to insurance and financial products in accordance with the conditions established in the Election Account contract. As of December 31, 2022, 5.9 million customers have contracted this product (6.2 millones customers in 2021). This represents about 60% of customers whose data is used for secondary purposes. The customer data represents the number of holders of non-canceled accounts for commercial banking and individuals.
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Monetary losses of €474 thousand were incurred in financial year 2022 by banking entities that are members of the BBVA Group as of December 31, 2022, as a result of court rulings (and transactional agreements reached in said legal proceedings), as well as €501 thousand for administrative fines, imposed in procedures related to the privacy of natural persons, including their right to honor. Excluded are those cases in which the entity is the victim of the illegal conduct and those in which, due to the establishment of a strict liability system by law, the entity must be responsible for the amounts subject to fraud by a third party to a customer [(2) (4).]
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	NFIS/Our stakeholders/Customers/Customers safety and protection
	Card-related fraud losses from (1) card-notpresent fraud and (2) card-present and other fraud	At Group level, during the financial year 2022, losses have been recorded for a value of €102,2 (in 2021, €84.8m), in case of fraud related to the absence of a card, and €25,3m (€20m) with the presence of a card. Information that includes data from Argentina, Colombia, Spain, Mexico, Peru, Turkey, Uruguay and Venezuela.
	Description of approach to identifying and addressing data security risks	NFIS/Our stakeholders/Customers/Customers safety and protection

Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold	In compliance with the applicable regulations on customer protection, BBVA Group's General Remuneration Policy reflects the requirements and principles applicable to personnel that engage in activities related to the sale of products and provision of services to customers. In this respect, the design and implementation of the remuneration these employees in BBVA Group ensures the protection of customer interests and the quality of the services provided, to ensure that: – responsible business conduct and fair treatment of clients is encouraged; – no incentives should be established that could induce staff to put their own interests or those of BBVA Group first, in possible opposition to the interests of their customers; – remuneration is not primordially or exclusively linked to the sale of a product, or a category or specific type of product, such as products that are more lucrative for the entity or employee, when there are others more in line with customer needs; and that this objective is not set as that with greatest weight in the remuneration package; and – an adequate balance is maintained between the fixed and variable elements of the remuneration.
	Approval rate for (1) credit and (2) pre-paid products for applicants with FICO scores above and below 660	It is not applicable to BBVA's current business model because it does not have presence in the USA. Disclosure of this metric is not excluded if its applicability is extended to other places where BBVA is present or the activity is resumed in the United States.
	(1) Average fees from add-on products, (2) average APR, (3) average age of accounts, (4) average number of trade lines, and (5) average annual fees for pre-paid products, for customers with FICO scores above and below 660	It is not applicable to BBVA's current business model because it does not have presence in the USA. Disclosure of this metric is not excluded if its applicability is extended to other places where BBVA is present or the activity is resumed in the United States.
	(1) Number of complaints filed with the Consumer Financial Protection Bureau (CFPB), (2) percentage with monetary or non-monetary relief, (3) percentage disputed by consumer, (4) percentage that resulted in investigation by the CFPB	It is not applicable to BBVA's current business model because the group does not have presence in the United States. However, BBVA has tools for communication, monitoring and response to claims or complaints submitted by customers, reported in this report to respond to other metrics. In caset that its applicability is extended to other places where BBVA has presence or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	Monetary losses of €4.6m are reported, incurred in financial year 2022 by banking entities that are members of the BBVA Group as of December 31, 2022, as a result of judicial rulings derived from civil proceedings (and transactional agreements reached in said proceedings) in those that condemn the entity for lack of transparency and/or defect in consent (not so for abusiveness when this is not preceded by a transparency analysis) in the field of consumer financing (excluding micro-enterprises and the self-employed when they do not act as consumers). Regarding amounts derived from administrative sanctions for lack of transparency, please see GRI metrics 417 and GRI 2-27 [(2)] [(3)].
Activity metrics	Number of unique consumers with an active credit card account (1) and pre-paid- debit card account (2)	BBVA will continue working on future exercises to advance in the dissemination of this metric.
	Number of (1) credit card accounts and (2) pre-paid debit card accounts	On December 31, 2022, the data at Group level amounts to 29,186 thousand credit cards (2021: 25,255 thousand) and 89,274 thousand debit cards (2021: 76,411 thousand) [(1)].

[(1)] Includes information from Mexico, Turkey, Argentina, Colombia, Peru, Uruguay and Spain

[(2)] The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses in general), by the entity in question, during the financial year 2022, excluding those derived from purely internal claims (customer service or customer advocate). The Fixing Rate as of 31/12/2022 is applied as the exchange rate.

[(3)] As a consequence of said judgments (and transactional agreements), the affected entities, in the ordinary course of their business, carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the adaptation of the documentation or the adjustment of contract conditions.

[(4)] As a consequence of said judicial decisions, transactional agreements and administrative fines, the affected entities, in the ordinary course of their business, carry out an analysis of the same and proceed to adopt a series of corrective measures, among which are the adaptation of the documentation , making adjustments to internal operations or implementing changes to privacy policies.

SASB-Mortgage Finance

Content index SASB. Mortgage Finance

Topic	Metric	BBVA Group's response
Lending Practices	(1) Number and (2) value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660	It is not applicable to BBVA's current business model because the group does not have presence in the United States. In case that its applicability is extended to other places where BBVA is present or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	(1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660	It is not applicable to BBVA's current business model because the group does not have presence in the United States. In case that its applicability is extended to other places where BBVA is present or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators	Monetary losses of €29.4m are reported, incurred in financial year 2022 by banking entities that are members of the BBVA Group as of December 31, 2022, as a result of court rulings derived from civil proceedings (and transactional agreements reached in said proceedings judicial) in which the entity is condemned for lack of transparency and/or defect in the consent (but not for abusiveness when this is not preceded by a transparency analysis, except as indicated in the following paragraph) in the field of Mortgage financing to individuals when they mortgage their home, either as collateral for a loan for the acquisition of the same or for the acquisition of another property. Although these are not supposed objects of the metric because the lack of transparency and/or defects in the consent is not discussed, but only the abusiveness, because they are specific to the "Mortgage Finance" industry, monetary losses of €18 .5m incurred in 2022 by BBVA, S.A. as a consequence of judicial procedures derived from claims associated with mortgage financing expenses for consumers. Regarding amounts derived from administrative sanctions for lack of transparency, please see GRI metrics 417 and GRI 2-27 [(1) (2)].
	Description of remuneration structure of loan originators	BBVA Group does not have a specific remuneration structure established for originators of loans. Their remuneration structure is that defined in BBVA Group's General Remuneration Policy for the other employees. The Policy has been approved and designed in compliance with applicable regulations on customer protection, taking into account alignment with best market practices and having included elements designed to reduce exposure to excessive risks, aligning remuneration to the business strategy, objectives, values and long-term interests of the Group.
Discriminatory Lending	(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660	It is not applicable to BBVA's current business model because the group does not have presence in the United States. In case that its applicability is extended to other places where BBVA is present or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending	No monetary losses have been incurred in financial year 2022 by the banking entities that are members of the BBVA Group as of December 31, 2022, as a result of court rulings or administrative sanctions imposed in proceedings associated with discriminatory practices in the granting of mortgage financing to individuals when they mortgage their home, either as collateral for a loan for the acquisition of the same or for the acquisition of another property. For these purposes, discriminatory practices are understood to be those conducts that favor the granting of mortgages to individuals based on criteria not strictly based on objective credit risk conditions [(1)].
	Description of policies and procedures for ensuring non-discriminatory mortgage origination	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change

Environmental Risk to Mortgaged Properties	(1) Number and (2) value of mortgage loans in 100-year flood zones	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change and environmental factors/Integrating climate change into risk planning/Analysis of scenarios and stress testing NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change and environmental factors/Identification, measurement and integration of climate change into risk management/Classification and measurement of physical risk
	(1) Total expected loss and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency due to weatherrelated natural catastrophes, by geographic region	BBVA is working on defining financial impact indicators associated with the physical risk of climate change on the mortgage portfolio, some of which are already being taken into account for the climate stress test exercise. For more information see: NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change and environmental factors/Integrating climate change into risk planning/Analysis of scenarios and stress testing NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change and environmental factors/Identification, measurement and integration of climate change into risk management/Classification and measurement of physical risk
	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
Activity metrics	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	See table (1) below. The data includes information from BBVA Spain, BBVA Mexico (less commercial mortgages) and BBVA Peru.
	(1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial	Recently, BBVA has not carried out any type of activity related to the acquisition of mortgages and, therefore, this metric is considered non-material. Due to the possibility that this situation changes, BBVA will monitor and will report the information requested in this standard.

[1] The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses in general), by the entity in question, during the financial year 2022, excluding those derived from purely internal claims (customer service or customer advocate). The Fixing Rate as of 31/12/2022 is applied as the exchange rate

[2] As a consequence of said judgments (and transactional agreements), the affected entities, in the ordinary course of their business, carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the adaptation of the documentation, the adjustment of the conditions of the contracts or the modification or elimination of the clauses declared null (e.g. clause of expenses and floor clauses).

[1] MORTGAGES OPENED ON NOVEMBER 30, 2022 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Residential	1,557	89,374
Commercial	60	8,853

5.2.6 Contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted in 2015 within the framework of the United Nations 2030 Agenda for Sustainable Development and have been signed by 193 countries. The 17 goals seek to eradicate poverty, protect the planet and ensure prosperity for all. This initiative aspires to involve all interest groups, from governments to companies to civil society. Each of the objectives, stated with a specific purpose, in turn lists several goals to achieve it and each goal has its own indicators, which serve to determine the degree of achievement of each objective.

BBVA focuses on contributing to five SDGs through the development of its business, generating a greater positive impact by taking advantage of the multiplier effect of banking. These SDGs are: 7, 12 and 13 (Climate Action); and 8 and 9 (Inclusive growth). Additionally, BBVA contributes significantly to these and other SDGs through the direct impacts of its activity and through its investment in the community.

Impact of customer support

Climate change

Origination of investments necessary to manage the challenge of climate change in accordance with:

3 CATEGORIES OF BUSINESS INITIATIVES

Energy efficiency
Technologies that reduce energy consumption per unit of product

Circular economy
Recycling, new materials, responsible use of natural resources, etc.

CO_2 reduction
Renewables and other sources of clean energy, electric mobility

Inclusive development

Mobilization of necessary investments to build inclusive infrastructures and support inclusive economic development.

3 CATEGORIES OF BUSINESS INITIATIVES

Digital solutions
Provide financial services to unbanked groups

Inclusive infrastructures
Focused on basic services and affordable and sustainable transport

Support for entrepeneurs
and promotion of economic growth and productive employment

Other impacts

Direct impact

Direct impacts generated through operating and governance models

Impact of investment in the Community

Impact generated by social initiatives and programs that contribute to the improvement of the societies in which BBVA operates

Impact metrics

BBVA integrates the SDGs in its Sustainability Policy and in its Corporate Social Responsibility Policy, to contribute to them through its direct impact as a company, the development of its business, its social action and the alliances to which BBVA is attached. To report on this impact, methodological guidelines published by GRI, United Nation Global Compact and the World Business Council for Sustainable Development[50] and by the World Economic Forum have been used[51].

[50] GRI, the United Nations Global Compact and the World Business Council for Sustainable Development -WBCSD- (2016). SDG Compass. The guide for business action on the SDGs.
[51] World Economic Forum (2020). Toward Common Metrics and Consistent Reporting of Sustainable Value Creation.

SDG 7. AFFORDABLE AND CLEAN ENERGY

		2022	2021
Impact of customer support	Financing of renewable energy projects (€ mill)	840	846
	Carbon footprint calculator (number of enterprise users)	166,912	11,492
	Carbon footprint calculator (number of retail users)	867,535	626,504
	CO_2 emissions avoided through the issuing of green bonds (T of CO_2)(1)	n/d	1,359,940
	Renewable energy generated from the issuing of green bonds (GWh/year)(1)	n/d	6,531
Direct impact	Environmentally certified area in m^2 (%) (2)	44%	39%
	Electricity usage per employee (MWh/occup)	5.74	5.76
	Reduction of electricity usage per employee (%) (3)	(14)%	(14)%
	Electricity coming from renewable sources (%)	92%	79%
	CO_2 emissions per employee (T CO_2/occup) (4)	0.82	0.94
	CO_2 emission reduction per employee (TCO_2/occup) (3) (4)	(70)%	(0.60)
	Emissions offset (%)	100%	100%
	Energy consumed (megawatt-hour)	688,158	695,140
	Join RE 100	✓	✓

(1) Regarding the base year 2019.

(2) The following seals/certifications are considered: Leed, ISO 14001, ISO 51, EDGE, Zero Waste, WWF Green Office, Green Seal. Previously this indicator was Employees in certified properties (%).

(3) Includes Scope 1 emissions (fuels in facilities and fleet and refrigerant gases), Scope 2 (electricity consumption; Market-based method) and Scope 3 (waste management, business trips by plane and train and displacement of employees of central services that represent 35.8% of the total number of employees covered by the report). Within the scope 3 emissions reported, the following categories defined in the GHG Protocol are not included: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy related activities (not included in scopes 1 or 2); Category 4 upstream transportation and distribution; Category 7 transportation of network workers (which account for 64.2% of the total number of employees covered by the report); Category 8 upstream leased assets; Category 9 transportation and distribution; Category 10 processing of the products sold; Category 11 use of the products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. In relation to the information on Category 15 Investments, see the Calculation of financed emissions section of section 2.3.4 Risk management associated with climate change and environmental factors. The scopes excluded to date could be material.

SDG 12. RESPONSIBLE CONSUMPTION AND PRODUCTION

		2022	2021
Impact of customer support	Wastewater treated from the issuing of green bonds (m^3/year) (1)	n/d	20,047,371
	Waste treated from the issuing of green bonds (T/year) (1)	n/d	906,864
Direct Impact	Reduction of water consumed per employee (%) (2)	(12)%	(5.02)%
	Reduction of paper consumed per employee (%) (2)	(31)%	(32)%
	Water consumption per employee (m^3/empl)	16.6	17.9
	Paper consumption per employee (Kg/empl)	34.1	33.8
	Public water suppliy (millions of cubic meters)	1.73	1.88
	Paper consumed (T)	3,718	3,640
	Hazardous waste (T)	440	120
	Non-hazardous waste (T)	4,129	4,251
	Waste recycled (T)	1,722	2,402
	% contracts awarded to certified suppliers	98%	97%
	% local suppliers/total suppliers	90.2%	98%
Impact on community investment	Training actions in relation to the efficient use of resources	✓	*

* Information reported for the first time in 2022.

(1) 2022 data not available at the date of publication of this report

(2) Regarding the base year 2019.

SDG 13. CLIMATE ACTION

		2022	2021
Impact of customer support	Green bond issued (€ mill)	1.25	—
	Goal 2025: green mobilization (€ mill)	40,643	22,042
	Wholesale loan portfolio exposed to sectors sensitive to transition risks (%)	7%	9%
	Total amount of operations analyzed under the Equator Principles (€ mill)	45,994	18,648
	Goal 2025: movilization in emerging countries (mill €)	7,179	*
Direct impact	Scope 1 emissions (tons of CO_2e) [1]	41,395	51,038
	Scope 2 emissions (tons of CO_2e) market-based method	11,571	42,152
	Scope 2 emissions (tons of CO_2e) location-based method	199,183	204,977
	Scope 3 emissions (tons of CO_2e) [2]	37,026	4,254

* Information reported for the first time in 2022.

(1) In 2021 scope 1 emissions, this scope was expanded and includes emissions derived from the use of fuels in the vehicle fleets and the refrigerant gases used in the air conditioning facilities.

(2) In scope 3 emissions for the year 2021, this scope was expanded and includes emissions derived from waste management, train travel and the commuting of our employees to their workplaces.

PROSPERITY

6 CLEAN WATER AND SANITATION · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 11 SUSTAINABLE CITIES AND COMMUNITIES

SDG 6. CLEAN WATER AND SANITATION

		2022	2021
Impact of customer support	Financing sanitation and sewage infrastructure (€ mill)	114	*

* Information reported for the first time in 2022.

SDG 8. DECENT WORK AND ECONOMIC GROWTH

		2022	2021
Impact of customer support	Financing for financial inclusion (€ mill)	609	404
	Number of clients belonging to financial inclusion segment Mexico (million)	9	8
	Promotion of financial inclusion in rural areas [1]	✓	*
	Businesses benefiting by social bonds issued [2]	n/d	13,275
	People (employees) benefiting by social bonds issued [2]	n/d	214,497
	Social bond issued (€ mill)	—	1,000
Direct impact	Financial value created: gross income (€ mill)	24,890	21,066
	Number of employees	115,675	110,432
	Number of employees with different capacities	645	589
	Number of third parties	3,548	3,332
	Third parties annual turnover(€ mill)	6,292	5,966
	Number of ATMs (units)	29,807	29,148
	Number of branches (units)	6,040	6,083
	Ratio of entry category salary to local minimum wage by gender greater than 1	✓	✓
	% of total female employees with permanent or permanent full-time employment contract modality	52%	53%
	% of total male employees with permanent or permanent full-time employment contract modality	48%	47%
	Total number of employees entitled to parental leave	3,715	4,403
	Occupational accidents: No. of accidents	275	275
	Occupational accidents: severity index	0.04	0.04
Impact on community investment	Investment in entrepreneurial initiatives (€ mill)	8	8.0
	People benefiting from initiatives to support entrepreneurship (million)	3	2.8
	Entrepreneurs who receive financial support (million)	2.86	2.8
	Entrepreneurs who receive non-financial support (number)	9,338	14,115

* Information reported for the first time in 2022.

(1) BBVA, within the scope of the Spanish Banking Association (AEB), the Spanish Confederation of Savings Banks (CECA) and the National Union of Credit Cooperatives (Unacc), has adhered to the Strategic Protocol to strengthen the Commitment Social and Sustainable Banking, which includes measures to promote financial inclusion in rural areas.

(2) Data 2022 not available at the date of publication of this report.

SDG 9. INDUSTRY, INNOVATION AND INFRASTRUCTURE

		2022	2021
Impact of customer support	Number of clients (million)	89.3	82.2
	Social infrastructure financing: health (€ mill)	309	*
	Social infrastructure financing: inclusive housing (€ mill)	161	*
	Financing of telecommunications infrastructures (€ mill)	819	*
Impact on community investment	Investment in science and research (€ mill)	23.29	21.8
	People benefiting from science and research initiatives (million) (1)	4.6	6.3

* Information reported for the first time in 2022.

(1) Includes people reached directly, indirectly and through content (single user).

SDG 11. SUSTAINABLE CITIES AND COMMUNITIES

		2022	2021
Direct impact	Social housing policy in Spain: refinancing agreements	More than 85.850	84,600
	Social housing granted to public entities	1,000	1,000
	Mortgage loans (€ mill)	92,064	91,324
	Consumer loans (€ mill)	36,116	31,026
	Credit card loans (€ mill)	17,382	12,936
	Financing public transport (€ mill)	26	*
	Financing civil works Infrastructure (€ mill)	45	*
	Financing art and culture infrastructure (€ mill)	2	*
	Financing building energy efficiency (€ mill)	4,306	*
	Financing building accesibility (€ mill)	5	*
Impact on community investment	Investment in initiatives supporting culture (€ mill)	7.0	5.3
	People benefiting from initiatives supporting culture (million) (1)	2.0	1.9

* Information reported for the first time in 2022.

(1) Includes people reached directly and through content (single user).

PEOPLE

SDG 3. GOOD HEALTH AND WELL BEING

		2022	2021
Impact of customer support	Health financing	457	*

SDG 4. QUALITY EDUCATION

		2022	2021
Impact of customer support	% Digital clients who use financial health features (Spain)	60%	53.3%
	Financing educational facilities accessibility	0.2	*
Direct impact	Investment in employee training (€ mill)	42	36
	Training per employee (hours per employee)	43.7	44.8
	Employees who receive training (% of the total)	98%	98%
	Employees (total) who have completed at least one sustainability course	100,421	57,210
Impact on community investment	Investment in education programs (€ mill)	77.2	58
	Beneficiaries education for society (million) [1]	0.4	0.3
	Beneficiaries secondary education	0.1	*
	Beneficiaries higher education	2.9	*
	Unique users on Financial Education web pages (mill)	29.6	18.5
	Unique users who acquire open knowledge through "Aprendemos juntos" (million)	3.5	2.5
	Unique users who visit content on www.bbva.com on sustainability (mill)	4.0	3.6

* Information reported for the first time in 2022.

[1] Only includes beneficiaries of education access programs.

SDG 5. GENDER EQUALITY

		2022	2021
Impact of customer support	Loans to female entrepreneurs (€ mill)	720	23,700
Direct impact	% Women on the workforce	53%	53%
	% Women board members	40%	33%
	% Women in senior management positions	22%	22%
	% Women in management positions	33%	33%
	Promotions of women (% of total)	53%	52%
	% New incorporations corresponding to women	47%	48%
	Wage gap (%)	0.7	0.6
Impact on community investment	% of Microfinanzas Foundation Clients (women)	59%	59%
	Bloomberg Gender-Equality Index	✓	✓
	BBVA Microfinanzas Foundation, 1st in the world in contribution to development for gender equality, according to the OECD	—	✓

SDG 10. REDUCED INEQUALITIES

		2022	2021
Impact of customer support	% bancarization of the beneficiaries of remittances Mexico	More than 88%	*
	Entrepreneurship financing (€ mill)	3,968	*
	Financing social companies / foundations (€ mill)	15	*
Impact on community investment	Total number of Microfinance Foundation credit clients at the end of the year (million)	0.92	0.86
	% of Microfinance Foundation clients (rural)	34%	34%
	% of Microfinance Foundation clients (primary education at most)	32%	35%
	Investment in financial education programs and initiatives (€ mill)	2.8	3.3
	Beneficiaries of financial education programmes (million)	0.8	0.7

* Information reported for the first time in 2022.

[1] 96.5% of clients are economically or socially vulnerable.

SDG 16. PEACE, JUSTICE AND STRONG INSTITUTIONS

		2022	2021
Impact of customer support	Environmental and social framework sectors: energy, mining, defense, infrastructure and agribusiness	✓	✓
	Human Rights Action Plan	✓	✓
	Number of complaints to the banking authority for every 10,000 active customers	11	10
	Average time to resolve complaints (calendar days)	7	5
	Provisions of the Defense sector included in the BBVA Environmental and Social Framework considering that certain activities or products related to the defense industry go against BBVA's principles and business rules	✓	✓
Direct impact	Corporate purpose that connects the main business with benefiting society	✓	✓
	Governance body with ESG competencies	✓	✓
	Taxes paid (€ mill)	10,948	8,215
	Anti-corruption policy	✓	✓
	Supplier ethics code	✓	✓
	BBVA and Human Rights	✓	✓
	Corporate Social Responsibility Policy	✓	✓
	Employees who have received code of conduct training	85,329	104,476
	Employees who have received anti-corruption policy training	79,706	71,470
	Complaints received through complaint channels	1597	1,748
	Employees who have received anti-money laundering training	91,401	97,106
	Anti Money Laundering: No. of investigation files managed	139,592	141,850
	Anti Money Laundering: No. of suspicious operations reported to the authorities.	82,860	78,421
	Anti Money Laundering: Engagement with governmental agencies and international organizations	✓	✓
Impact on community investment	Donation to respond to the humanitarian emergency in Ukraine (€ mill)	1	not applicable

ODS 17. ALIANZAS PARA LOGRAR LOS OBJETIVOS

		2022	2021
Impact of customer support	Signatory of the Principles for Responsible Banking and the Principles for Responsible Investment	✓	✓
	Promoter of Green Bond Principles and Social Bond Principles	✓	✓
	Member of regional (EBF) and local (AEB, ABM Asobancaria, etc.) banking associations	✓	✓
	Signatory of sectoral agreements: ANESE, Faconauto	✓	✓
	Signatory of the UNEP FI Collective Commitment to Climate Action	✓	✓
	Signatory of the Net Zero Banking Alliance	✓	✓
	Collective Committment to Financial Education & Inclusion	✓	✓
Direct impact	RE 100; GECV, re -Source	✓	✓
	BBVA chairs REDI, the Business Network for LGTBI Diversity and Inclusion in Spain	✓	✓
	ERG (Employee Resource Group) Be Yourself, joining the United Nations standards of conduct for the LGTBI community, joining REDI (Corporate Network for Diversity and Inclusion in Spain), Inspiring Girls	✓	✓
Impact on community investment	Number of volunteers (employees)	8,637	9,066
	Volunteer hours (thousands of hours)	24,262	26,577
	Member of United Nations Global Compact	✓	✓
	Member of the Thun Group of Banks on Human Rights	✓	✓
	Signatory of the Equator Principles	✓	✓
	Member of local, regional and international organizations that promote CSR (Seres, CSR Europe, CECP, etc.)	✓	✓

Organizational Chart

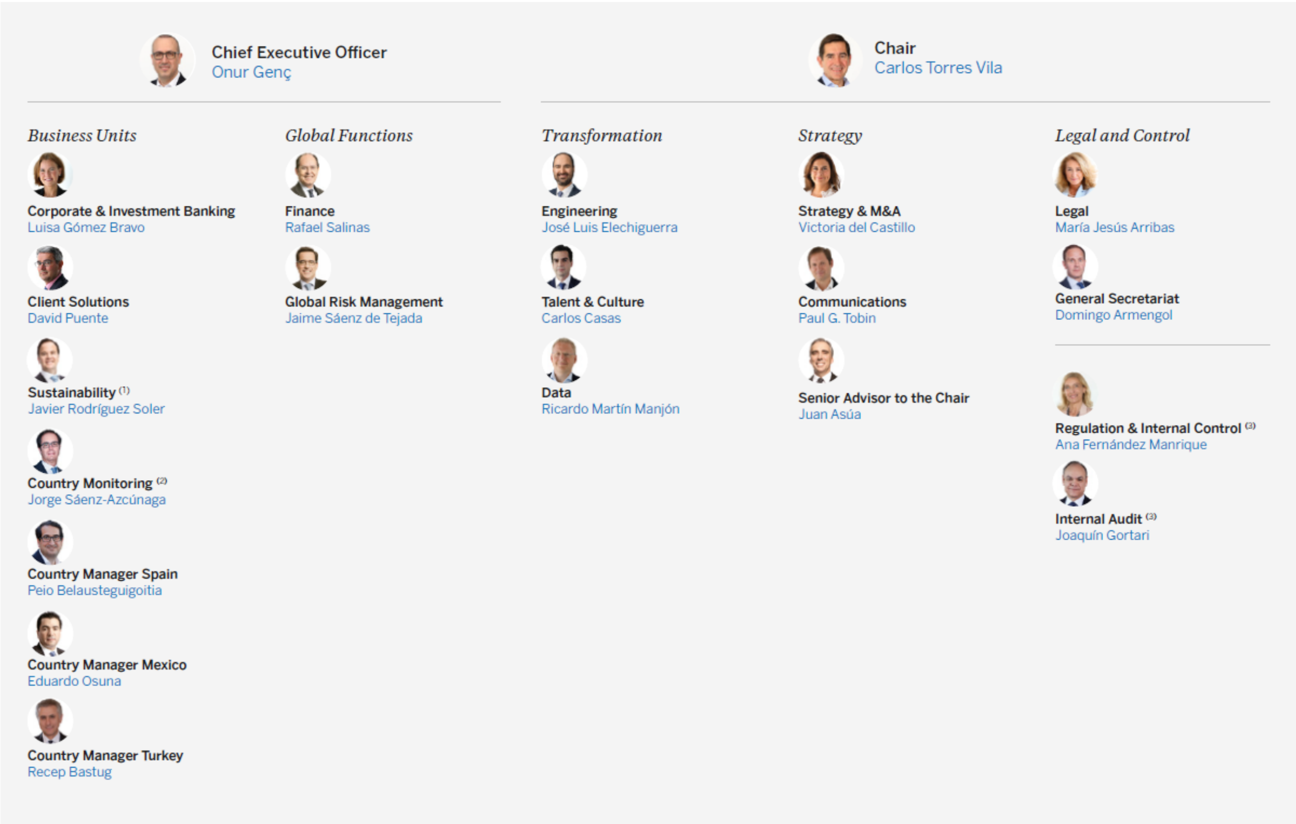
In 2022, the Group's organizational structure remains in line with the one approved by the BBVA Board of Directors at the end of 2018, a structure that meets the objective of continuing to promote the transformation and businesses of the Group, while advancing in the delimitation of executive functions.

The main aspects of the organizational structure are:

- The chief executive is responsible for the management and proper functioning of the Board of Directors, for the functions of management supervision, for the institutional representation of the entity, as well as for the leadership and promotion of the group's strategy and its transformation process.

  The areas that report to the chief executive are those related to the key levers of transformation: Engineering, Talent & Culture and Data; those related to strategy: Strategy & M&A, Communications and the figure of the Senior Advisor to the Chair; and those related to the legal field and the Council: Legal and General Secretary.
- The Chief Executive Officer is responsible for the day-to-day management of the Group's businesses, reporting directly to the Board of Directors on his duties.

  The areas that report to the Chief Executive Officer are the business units in the different countries, Corporate & Investment Banking, Client Solutions and Sustainability, as well as the following global functions: Finance, which integrates accounting and tax functions, and Global Risk Management.
- Lastly, certain areas of control have a direct report of those responsible to the Board of Directors through the corresponding committees. These control areas are Internal Audit and Regulation & Internal Control, the area in charge of the relationship with supervisors and regulators, the monitoring and analysis of regulatory trends and the development of the Group's regulatory agenda, and the management of derived risks of regulatory compliance issues.



(1) Reporting to the Chief Executive Officer and to the Chair (for topics related to strategy and transformation).
(2) Reporting channel to CEO for Argentina, Colombia, Peru, Venezuela and Uruguay, as well as monitoring of all countries, including Spain, Mexico and Turkey.
(3) Reporting to the Board of Directors.

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, the Board of Directors of BBVA, on the occasion of the preparation of the financial statements for 2022, approved the Annual Corporate Governance Report for that year (which is an integral part of the Management Report) in accordance with the contents set down in Order ECC/461/2013, dated March 20, and in Circular 5/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 3/2021, dated September 28, of CNMV. The Annual Corporate Governance Report is incorporated by reference in the Management Report and is published in CNMV´s website (www.cnmv.es) and in the Company´s corporate website (www.bbva.com).

Annual Report on the Remuneration of Directors

In accordance with the provisions established by Article 541 of the Spanish Corporate Act, the Board of Directors of BBVA, on the proposal of the Remuneration Committee, and on the occasion of the preparation of the financial statements for 2022, approved the Annual Report on the Remuneration of BBVA Directors for that year (which is an integral part of the Management Report) in accordance with the contents set down in Order ECC/461/2013, dated March 20, and in Circular 4/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 3/2021, dated September 28, of CNMV. The Annual Report on the Remuneration of BBVA Directors is incorporated by reference in the Management Report and is published in CNMV´s website (www.cnmv.com) and in the Company's corporate website (www.bbva.com).

Independent Assurance Report on the Consolidated Non-Financial Information Statement for the year ended December 31, 2022

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND SUBSIDIARIES

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

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INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.

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

Pursuant to Article 49 of the Spanish Code of Commerce, we have performed a verification, with a limited assurance scope, of the attached Consolidated Non-Financial Information Statement (hereinafter, NFS) for the year ended December 31, 2022 of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "the Bank") and subsidiaries that comprise, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group"), which is part of the Group's accompanying consolidated management Report for the year 2022.

The content of the consolidated management Report includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our assignment has been exclusively limited to the verification of the information shown in section 5.2.1 "Index of contents of Law 11/2018" and in principles 2.1, 2.2, 2.3 and 5.1 shown in section 5.2.4 "Index of contents of the UNEP-FI Principles of Responsible Banking", of the accompanying consolidated management Report.

Responsibility of the Board of Directors

The preparation of the NFS included in the consolidated management Report and its content is the responsibility of the Board of Directors of the Bank. The NFS was prepared in accordance with prevailing mercantile legislation and following the criteria of the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards), as well as other criteria, including the "Principles of Responsible Banking promoted by the United Nations Alliance", in accordance with that described for each subject area in section 5.2.1 "Index of contents of Law 11/2018" and in section 5.2.4 "Index of contents of the UNEP-FI Principles of Responsible Banking" of the aforementioned consolidated management Report.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Accountants (including international standards on independence) issued by the International Ethics Standards Board for Accountants (IESBA) that is based on the fundamental principles of professional integrity, objectivity, competence, diligence as well as confidentiality and professional behaviour.

Our Firm complies with current international quality standards and thus maintains a quality system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts and the Guidance for assurance limited assurance providers for reporting on the Principles of Responsible Banking, issued by UNEP FI.

The procedures performed in a limited assurance engagement vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement, and therefore, the level of assurance provided is also lower.

Our work consisted in requesting information from Management, as well as of the various Group units involved in the preparation of the NFS, reviewing the processes for gathering and validating the information included in the NFS, and applying certain analytical procedures and sample review tests as described below:

- Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.

- Analyzing the scope, relevance and integrity of the content included in the NFS for the year 2022 based on the materiality analysis made by the Group's Management and described in section 2.2 "Our stakeholders" and section 2.4.1 "Additional information on materiality analysis", considering the contents required by current mercantile regulations.

- Analyzing the processes for gathering and validating the data included in the 2022 Non-Financial Statement.

- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2022 NFS.

- Checking, through tests, based on a selection of a sample, the information related to the content of the 2022 NFS and its correct compilation from the data provided by the Group´s information sources.

- Obtaining a representation letter from the Board of Directors and Management.

Other Matters

On February 11, 2022, a different assurance provider issued a favorable independent assurance report on the Consolidated Non-Financial Information Statement of the Banco Bilbao Vizcaya Argentaria Group for 2021.

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments establishes the obligation to disclose information on how and to what extent the entity's investments are associated with eligible economic activities in accordance with to the Taxonomy. For such purposes, the Board of Directors of the Bank have included information on the criteria which, in their opinion, best allow them to comply with this obligation and which are those defined in section 2.4.2 "Information related to Article 8 of the European Taxonomy" of the accompanying consolidated management Report. Our conclusion is not modified in respect of this matter.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that NFS of the Banco Bilbao Vizcaya Argentaria Group for the year ended December 31, 2022 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and following the criteria of the selected GRI standards), as well as other criteria, including the "Principles of Responsible Banking promoted by the United Nations Alliance", in accordance with that mentioned for each subject in section 5.2.1 "Index of contents of Law 11/2018" and in principles 2.1, 2.2, 2.3 and 5.1 shown in section 5.2.4 "Index of contents of the Principles of Responsible Banking UNEP-FI" of the aforementioned consolidated management Report.

Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

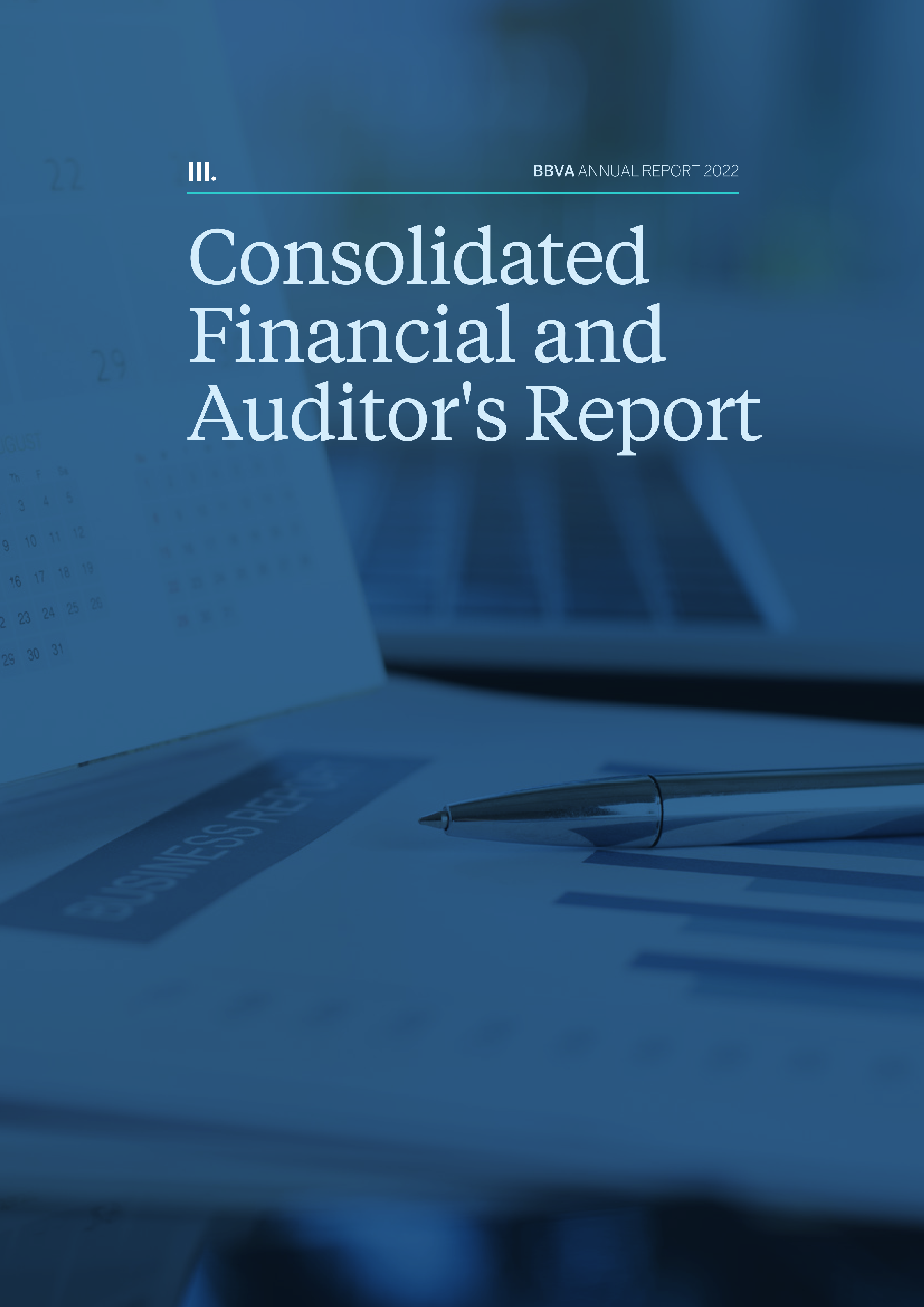
ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús

February 13, 2023

Consolidated Financial and Auditor's Report



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Consolidated balance sheets as of December 31, 2022, 2021 and 2020

ASSETS (Millions of Euros)	Notes	2022	2021 (1)	2020 (1)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**9**	**79,756**	**67,799**	**65,520**
FINANCIAL ASSETS HELD FOR TRADING	**10**	**110,671**	**123,493**	**105,878**
Derivatives		39,908	30,933	40,183
Equity instruments		4,404	15,963	11,458
Debt securities		24,367	25,790	23,970
Loans and advances to central banks		1,632	3,467	53
Loans and advances to credit institutions		25,231	31,916	18,317
Loans and advances to customers		15,130	15,424	11,898
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**6,888**	**6,086**	**5,198**
Equity instruments		6,511	5,303	4,133
Debt securities		129	128	356
Loans and advances to customers		247	655	709
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**913**	**1,092**	**1,117**
Debt securities		913	1,092	1,117
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**13**	**58,980**	**60,421**	**69,440**
Equity instruments		1,198	1,320	1,100
Debt securities		57,755	59,074	68,308
Loans and advances to credit institutions		26	27	33
FINANCIAL ASSETS AT AMORTIZED COST	**14**	**422,061**	**372,676**	**367,668**
Debt securities		43,606	34,781	35,737
Loans and advances to central banks		4,401	5,681	6,209
Loans and advances to credit institutions		16,031	13,276	14,575
Loans and advances to customers		358,023	318,939	311,147
DERIVATIVES - HEDGE ACCOUNTING	**15**	**1,891**	**1,805**	**1,991**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**(148)**	**5**	**51**
JOINT VENTURES AND ASSOCIATES	**16**	**916**	**900**	**1,437**
Joint ventures		100	152	149
Associates		816	749	1,288
INSURANCE AND REINSURANCE ASSETS	**23**	**210**	**269**	**306**
TANGIBLE ASSETS	**17**	**8,737**	**7,298**	**7,823**
Properties, plant and equipment		8,441	7,107	7,601
For own use		7,911	6,874	7,311
Other assets leased out under an operating lease		530	233	290
Investment properties		296	191	222
INTANGIBLE ASSETS	**18**	**2,156**	**2,197**	**2,345**
Goodwill		707	818	910
Other intangible assets		1,449	1,379	1,435
TAX ASSETS	**19**	**16,472**	**15,850**	**16,526**
Current tax assets		1,978	932	1,199
Deferred tax assets		14,494	14,917	15,327
OTHER ASSETS	**20**	**2,614**	**1,934**	**2,513**
Insurance contracts linked to pensions		—	—	—
Inventories		325	424	572
Other		2,289	1,510	1,941
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**1,022**	**1,061**	**85,987**
TOTAL ASSETS	**3 / 6**	**713,140**	**662,885**	**733,797**

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

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

BBVA

Consolidated balance sheets as of December 31, 2022, 2021 and 2020

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2022	2021 (1)	2020 (1)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**95,611**	**91,135**	**84,109**
Derivatives		37,909	31,705	41,680
Short positions		13,487	15,135	12,312
Deposits from central banks		3,950	11,248	6,277
Deposits from credit institutions		28,924	16,176	14,377
Customer deposits		11,341	16,870	9,463
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**10,580**	**9,683**	**10,050**
Customer deposits		700	809	902
Debt certificates		3,288	3,396	4,531
Other financial liabilities		6,592	5,479	4,617
Memorandum item: Subordinated liabilities		—	—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	**22**	**528,629**	**487,893**	**490,606**
Deposits from central banks		38,323	47,351	45,177
Deposits from credit institutions		26,935	19,834	27,629
Customer deposits		393,856	349,761	342,661
Debt certificates		55,429	55,763	61,780
Other financial liabilities		14,086	15,183	13,358
Memorandum item: Subordinated liabilities		*12,509*	*14,808*	*16,488*
DERIVATIVES - HEDGE ACCOUNTING	**15**	**3,303**	**2,626**	**2,318**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**—**	**—**	**—**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**11,848**	**10,865**	**9,951**
PROVISIONS	**24**	**4,933**	**5,889**	**6,141**
Pensions and other post-employment defined benefit obligations		2,632	3,576	4,272
Other long term employee benefits		466	632	49
Provisions for taxes and other legal contingencies		685	623	612
Commitments and guarantees given		770	691	728
Other provisions		380	366	479
TAX LIABILITIES	**19**	**2,742**	**2,413**	**2,355**
Current tax liabilities		1,415	644	545
Deferred tax liabilities		1,326	1,769	1,809
OTHER LIABILITIES	**20**	**4,880**	**3,621**	**2,802**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**—**	**—**	**75,446**
TOTAL LIABILITIES		**662,526**	**614,125**	**683,777**

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

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

BBVA

Consolidated balance sheets as of December 31, 2022, 2021 and 2020

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	2022	2021 (1)	2020 (1)
SHAREHOLDERS' FUNDS		**64,422**	**60,383**	**58,904**
Capital	**26**	**2,955**	**3,267**	**3,267**
Paid up capital		2,955	3,267	3,267
Unpaid capital which has been called up		—	—	—
Share premium	**27**	**20,856**	**23,599**	**23,992**
Equity instruments issued other than capital		**—**	**—**	**—**
Other equity		**63**	**60**	**42**
Retained earnings	**28**	**32,536**	**31,841**	**30,508**
Revaluation reserves	**28**	**—**	**—**	**—**
Other reserves	**28**	**2,345**	**(1,857)**	**(164)**
Reserves or accumulated losses of investments in joint ventures and associates		(221)	(247)	(164)
Other		2,566	(1,610)	—
Less: treasury shares	**29**	**(29)**	**(647)**	**(46)**
Profit or loss attributable to owners of the parent		**6,420**	**4,653**	**1,305**
Less: Interim dividends	**4**	**(722)**	**(532)**	**—**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**30**	**(17,432)**	**(16,476)**	**(14,356)**
Items that will not be reclassified to profit or loss		**(1,881)**	**(2,075)**	**(2,815)**
Actuarial gains (losses) on defined benefit pension plans		(760)	(998)	(1,474)
Non-current assets and disposal groups classified as held for sale		—	—	(65)
Share of other recognized income and expense of investments in joint ventures and associates		—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		(1,194)	(1,079)	(1,256)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		72	2	(21)
Items that may be reclassified to profit or loss		**(15,550)**	**(14,401)**	**(11,541)**
Hedge of net investments in foreign operations (effective portion)		(1,408)	(146)	(62)
Foreign currency translation		(13,103)	(14,988)	(14,185)
Hedging derivatives. Cash flow hedges (effective portion)		(458)	(533)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income		(562)	1,274	2,069
Hedging instruments (non-designated items)		—	—	—
Non-current assets and disposal groups classified as held for sale		—	—	644
Share of other recognized income and expense of investments in joint ventures and associates		(18)	(9)	(17)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**31**	**3,624**	**4,853**	**5,471**
Accumulated other comprehensive income (loss)		(3,112)	(8,414)	(6,949)
Other items		6,736	13,267	12,421
TOTAL EQUITY		**50,615**	**48,760**	**50,020**
TOTAL EQUITY AND TOTAL LIABILITIES		**713,140**	**662,885**	**733,797**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)	Notes	2022	2021 (1)	2020 (1)
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

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

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

BBVA

Consolidated income statements for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Notes	2022	2021 (1)	2020 (1)
Interest and other income	37.1	31,432	23,015	22,389
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*
Other interest income		*3,064*	*2,770*	*2,640*
Interest expense	37.2	(12,279)	(8,329)	(7,797)
NET INTEREST INCOME		**19,153**	**14,686**	**14,592**
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
Financial assets at amortized cost		*8*	*27*	*106*
Other financial assets and liabilities		*56*	*106*	*33*
Gains (losses) on financial assets and liabilities held for trading, net	41	562	341	777
Reclassification of financial assets from fair value through other comprehensive income		—	—	—
Reclassification of financial assets from amortized cost		—	—	—
Other gains (losses)		*562*	*341*	*777*
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	(67)	432	208
Reclassification of financial assets from fair value through other comprehensive income		—	—	—
Reclassification of financial assets from amortized cost		—	—	—
Other gains (losses)		*(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)
GROSS INCOME		**24,890**	**21,066**	**20,166**
Administration costs		(9,432)	(8,296)	(7,799)
Personnel expense	44.1	*(5,612)*	*(5,046)*	*(4,695)*
Other administrative expense	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)
Financial assets measured at amortized cost		(3,303)	(3,017)	(5,160)
Financial assets at fair value through other comprehensive income		(76)	(17)	(19)
NET OPERATING INCOME		**10,460**	**7,484**	**5,153**
Impairment or reversal of impairment of investments in joint ventures and associates	48	42	—	(190)
Impairment or reversal of impairment on non-financial assets	49	(27)	(221)	(153)
Tangible assets		*53*	*(161)*	*(125)*
Intangible assets		*(25)*	*(19)*	*(19)*
Other assets		*(55)*	*(41)*	*(9)*
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		(11)	24	(7)
Negative goodwill recognized in profit or loss		—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	50	(108)	(40)	444
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**10,356**	**7,247**	**5,248**
Tax expense or income related to profit or loss from continuing operations	19	(3,529)	(1,909)	(1,459)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**6,827**	**5,338**	**3,789**
Profit (loss) after tax from discontinued operations	21	—	280	(1,729)
PROFIT (LOSS)		**6,827**	**5,618**	**2,060**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**31**	**407**	**965**	**756**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**6,420**	**4,653**	**1,305**

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

Consolidated income statements for the years ended December 31, 2022, 2021 and 2020 (continued)

EARNINGS (LOSSES) PER SHARE (Euros)	Notes	2022	2021 (1)	2020 (1)
EARNINGS (LOSSES) PER SHARE (Euros)	**5**	**0.99**	**0.67**	**0.14**
Basic earnings (losses) per share from continuing operations		0.99	0.63	0.40
Diluted earnings (losses) per share from continuing operations		0.99	0.63	0.40
Basic earnings (losses) per share from discontinued operations		—	0.04	(0.26)
Diluted earnings (losses) per share from discontinued operations		—	0.04	(0.26)

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

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

BBVA

Consolidated statements of recognized income and expense for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	2022	2021 (1)	2020 (1)
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	**6,827**	**5,618**	**2,060**
OTHER RECOGNIZED INCOME (EXPENSE)	**810**	**(3,977)**	**(5,375)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**190**	**358**	**(822)**
Actuarial gains (losses) from defined benefit pension plans	354	218	(88)
Non-current assets and disposal groups held for sale	—	(3)	17
Share of other recognized income and expense of entities accounted for using the equity method	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(121)	189	(796)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	100	33	4
Income tax related to items not subject to reclassification to income statement	(143)	(80)	40
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**621**	**(4,335)**	**(4,553)**
Hedge of net investments in foreign operations (effective portion)	**(1,172)**	**(117)**	**378**
Valuation gains (losses) taken to equity	(1,172)	(117)	378
Transferred to profit or loss	—	—	—
Other reclassifications	—	—	—
Foreign currency translation	**3,387**	**(2,256)**	**(4,873)**
Translation gains (losses) taken to equity	3,387	(2,239)	(4,873)
Transferred to profit or loss	—	(17)	—
Other reclassifications	—	—	—
Cash flow hedges (effective portion)	**97**	**(691)**	**230**
Valuation gains (losses) taken to equity	116	(553)	230
Transferred to profit or loss	(19)	(137)	—
Transferred to initial carrying amount of hedged items	—	—	—
Other reclassifications	—	—	—
Debt securities at fair value through other comprehensive income	**(2,454)**	**(1,139)**	**460**
Valuation gains (losses) taken to equity	(2,484)	(1,082)	515
Transferred to profit or loss	30	(57)	(54)
Other reclassifications	—	—	—
Non-current assets and disposal groups held for sale	**—**	**(663)**	**(492)**
Valuation gains (losses) taken to equity	—	(30)	(472)
Transferred to profit or loss	—	(633)	(20)
Other reclassifications	—	—	—
Entities accounted for using the equity method	**(7)**	**8**	**(13)**
Income tax relating to items subject to reclassification to income statements	**770**	**523**	**(243)**
TOTAL RECOGNIZED INCOME (EXPENSE)	**7,637**	**1,640**	**(3,315)**
Attributable to minority interest (non-controlling interests)	**1,351**	**(500)**	**(606)**
Attributable to the parent company	**6,286**	**2,141**	**(2,709)**

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

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

BBVA

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)

												Non-controlling interest		
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)**	**Accumulated other comprehensive income (loss) (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2022 (1)	**3,267**	**23,599**	**—**	**60**	**31,841**	**—**	**(1,857)**	**(647)**	**4,653**	**(532)**	**(16,476)**	**(8,414)**	**13,267**	**48,760**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,420**	**—**	**(134)**	**944**	**407**	**7,637**
Other changes in equity	**(313)**	**(2,743)**	**—**	**3**	**695**	**—**	**4,202**	**617**	**(4,653)**	**(190)**	**(822)**	**4,358**	**(6,938)**	**(5,783)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	(313)	(2,743)	—	—	250	—	(355)	3,160	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,463)	—	—	—	—	(722)	—	—	(185)	(2,370)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,966)	—	—	—	—	—	(2,966)
Sale or cancellation of treasury shares	—	—	—	—	—	—	9	423	—	—	—	—	—	432
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity (2) (see Note 2.2.19)	—	—	—	—	2,234	—	2,709	—	(4,653)	532	(822)	4,358	(4,358)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity (2)	—	—	—	25	(326)	—	1,839	—	—	—	—	—	(2,395)	(857)
Balance as of December 31, 2022	**2,955**	**20,856**	**—**	**63**	**32,536**	**—**	**2,345**	**(29)**	**6,420**	**(722)**	**(17,432)**	**(3,112)**	**6,736**	**50,615**

(1) Balances as of December 31, 2021 as originally reported in the Consolidated Financial Statements for the year 2021.

(2) The headings "Transfers within equity" and "Other increases or decreases in equity" include the effects of the application of IAS 29 in the subsidiaries in Turkey (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 Notes and Appendices are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2022.

BBVA

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)

												Non-controlling interest		
2021 [(1)]	**Capital (Note 26)**	**Share Premium (Note 27)**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 28)**	**Revaluation reserves (Note 28)**	**Other reserves (Note 28)**	**(-) Treasury shares (Note 29)**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends (Note 4)**	**Accumulated other comprehensive income (loss) (Note 30)**	**Accumulated other comprehensive income (loss) (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2021 [(2)]	**3,267**	**23,992**	**—**	**42**	**30,508**	**—**	**(164)**	**(46)**	**1,305**	**—**	**(14,356)**	**(6,949)**	**12,421**	**50,020**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,653**	**—**	**(2,512)**	**(1,465)**	**965**	**1,640**
Other changes in equity	**—**	**(393)**	**—**	**17**	**1,333**	**—**	**(1,693)**	**(600)**	**(1,305)**	**(532)**	**391**	**—**	**(119)**	**(2,900)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	(532)	—	—	(119)	(1,045)
Purchase of treasury shares	—	—	—	—	—	—	—	(1,022)	—	—	—	—	—	(1,022)
Sale or cancellation of treasury shares	—	—	—	—	—	—	17	421	—	—	—	—	—	438
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	1,693	—	(780)	—	(1,305)	—	391	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(11)	—	—	—	—	—	—	—	—	—	(11)
Other increases or (-) decreases in equity	—	—	—	28	(360)	—	(930)	—	—	—	—	—	1	(1,260)
Balance as of December 31, 2021	**3,267**	**23,599**	**—**	**60**	**31,841**	**—**	**(1,857)**	**(647)**	**4,653**	**(532)**	**(16,476)**	**(8,414)**	**13,267**	**48,760**

(1) Presented for comparison purposes only (see Note 1.3).
(2) Balances as of December 31, 2020 as originally reported in the Consolidated Financial Statements for the year 2020.

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

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)

												Non-controlling interest		
2020 (1)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2020 (2)	**3,267**	**23,992**	**—**	**56**	**26,402**	**—**	**(125)**	**(62)**	**3,512**	**(1,084)**	**(7,234)**	**(3,527)**	**9,728**	**54,925**
Effect of changes in accounting policies	—	—	—	—	2,986	—	6	—	—	—	(2,992)	(2,045)	2,045	—
Adjusted initial balance	**3,267**	**23,992**	**—**	**56**	**29,388**	**—**	**(119)**	**(62)**	**3,512**	**(1,084)**	**(10,226)**	**(5,572)**	**11,773**	**54,925**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,305**	**—**	**(4,014)**	**(1,361)**	**755**	**(3,315)**
Other changes in equity	**—**	**—**	**—**	**(14)**	**1,120**	**—**	**(45)**	**16**	**(3,512)**	**1,084**	**(116)**	**(16)**	**(107)**	**(1,590)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,066)	—	—	—	—	—	—	—	(124)	(1,190)
Purchase of treasury shares	—	—	—	—	—	—	—	(807)	—	—	—	—	—	(807)
Sale or cancellation of treasury shares	—	—	—	—	—	—	—	823	—	—	—	—	—	823
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	2,585	—	(41)	—	(3,512)	1,084	(116)	(16)	16	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity	—	—	—	8	(399)	—	(4)	—	—	—	—	—	1	(394)
Balance as of December 31, 2020	**3,267**	**23,992**	**—**	**42**	**30,508**	**—**	**(164)**	**(46)**	**1,305**	**—**	**(14,356)**	**(6,949)**	**12,421**	**50,020**

(1) Presented for comparison purposes only (see Note 1.3).
(2) Balances as of December 31, 2019 as originally reported in the Consolidated Financial Statements for the year 2019.

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

BBVA

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 (1)	2020 (1)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**23,718**	**(1,242)**	**39,349**
Of which hyperinflation effect from operating activities	2.2.19	2,692	—	—
Profit for the year		**6,827**	**5,618**	**2,060**
Adjustments to obtain the cash flow from operating activities		**11,770**	**7,688**	**11,653**
Depreciation and amortization		1,328	1,234	1,288
Other adjustments		10,442	6,454	10,365
Net increase/decrease in operating assets		**(42,900)**	**(38,267)**	**(57,370)**
Financial assets held for trading		14,658	(17,031)	(10,351)
Non-trading financial assets mandatorily at fair value through profit or loss		(421)	(908)	(241)
Other financial assets designated at fair value through profit or loss		179	25	97
Financial assets at fair value through other comprehensive income		(1,014)	7,116	(16,649)
Financial assets at amortized cost		(55,754)	(28,062)	(30,212)
Other operating assets		(548)	592	(15)
Net increase/decrease in operating liabilities		**51,256**	**25,266**	**84,961**
Financial liabilities held for trading		2,907	6,479	247
Other financial liabilities designated at fair value through profit or loss		293	(837)	647
Financial liabilities at amortized cost		48,161	19,682	84,853
Other operating liabilities		(105)	(58)	(787)
Collection/Payments for income tax		**(3,234)**	**(1,546)**	**(1,955)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(3,911)**	**(1,634)**	**(37)**
Of which hyperinflation effect from investing activities	2.2.19	759	—	—
Investment		**(4,506)**	**(12,472)**	**(1,185)**
Tangible assets		(1,812)	(396)	(632)
Intangible assets		(630)	(550)	(491)
Investments in joint ventures and associates		(81)	(50)	(62)
Subsidiaries and other business units		(1,389)	—	—
Non-current assets classified as held for sale and associated liabilities	21	(594)	(11,476)	—
Other settlements related to investing activities		—	—	—
Divestments		**596**	**10,838**	**1,148**
Tangible assets		29	78	558
Intangible assets		—	—	—
Investments in joint ventures and associates		127	80	307
Subsidiaries and other business units		—	10	—
Non-current assets classified as held for sale and associated liabilities	21	440	10,670	283
Other collections related to investing activities		—	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(7,563)**	**(4,349)**	**(2,069)**
Of which hyperinflation effect from financing activities	2.2.19	—	—	—
Payments		**(7,996)**	**(4,786)**	**(5,316)**
Dividend distribution (shareholders remuneration)		(2,185)	(926)	(1,065)
Subordinated liabilities		(2,258)	(2,301)	(2,820)
Treasury share amortization		(313)	—	—
Treasury share acquisition		(2,670)	(1,022)	(807)
Other items relating to financing activities		(571)	(538)	(624)
Collections		**434**	**438**	**3,247**
Subordinated liabilities		—	—	2,425
Treasury shares increase		—	—	—
Treasury shares disposal		434	438	822
Other items relating to financing activities		—	—	—
D) EFFECT OF EXCHANGE RATE CHANGES		**(288)**	**(1,864)**	**(4,658)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		**11,957**	**(9,089)**	**32,585**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (2)		**67,799**	**76,888**	**44,303**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F) (3)		**79,756**	**67,799**	**76,888**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)	Notes	2022	2021 (1)	2020 (1)
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		—	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**79,756**	**67,799**	**65,520**
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED AS NON-CURRENT ASSETS AND DISPOSABLE GROUPS CLASSIFIED AS HELD FOR SALE IN THE UNITED STATES	21	—	—	**11,368**

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

(2) 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).

(3) 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 Notes and Appendices are an integral part of the consolidated statement of cash flows for the year ended December 31, 2022.

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).

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, 2021 were approved by the shareholders at the Annual General Meeting ("AGM") held on March 18, 2022.

BBVA Group's Consolidated Financial Statements and the Financial Statements for the Bank and the majority of the remaining entities within the Group have been prepared for the year ended December 31, 2022, and are pending approval by their respective AGMs. However, the Board of Directors of the Bank believes that said financial statements will be approved without changes.

1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group's Consolidated Financial Statements are presented in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter "EU-IFRS") applicable as of December 31, 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 Comparative information

The information included in the consolidated financial statements for the years ended December 31, 2021 and 2020, is presented in accordance with the applicable regulation, for the purpose of comparison with the information for the year ended December 31, 2022.

1.4 Seasonal nature of income and expense

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

1.5 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.

1.6 BBVA Group's Internal Control over Financial Reporting

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

The ICFR 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 ensure they perform correctly and are effective 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:

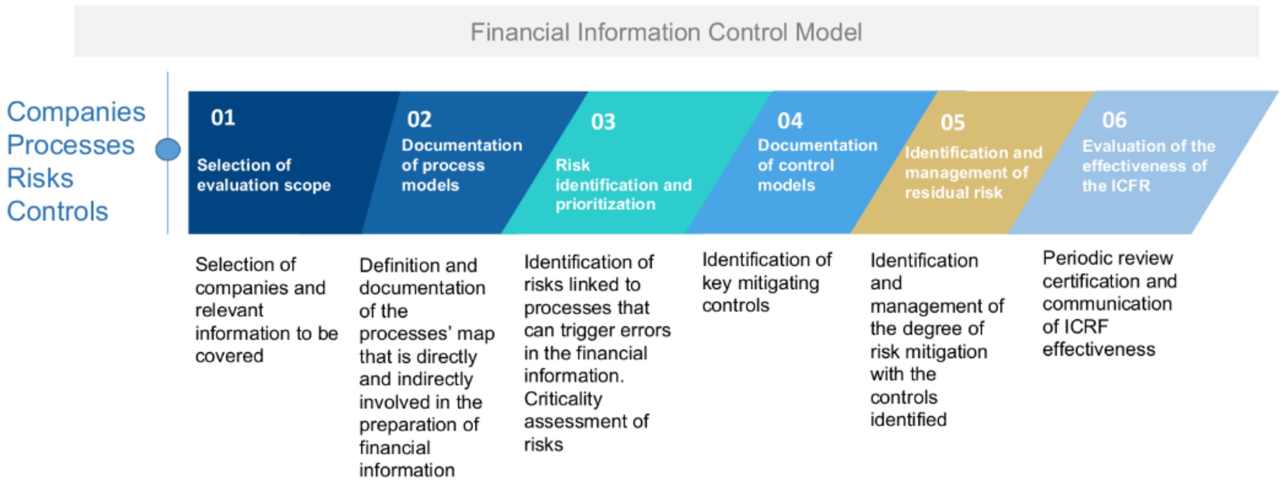
  a. The first line of defense (1LoD) is located within the business and support units, which are responsible for identifying risks associated with their processes, as well as for implementing and executing the necessary controls to mitigate them. The Risk Control Assurer (RCA) role was created to reinforce 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 ensure the quality and accuracy of the financial information.

The description of the ICFR model is included in the Corporate Governance Annual Report within the Management Report accompanying the Consolidated Financial Statements for the year ended December 31, 2022.

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. 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, 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, 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.

Separate financial statements

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

Appendix IX shows BBVA's separate financial statements as of and for the years ended December 31, 2022 and 2021.

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 EU-IFRS.

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:

  a. Early termination clauses: generally a contractual clause that permits the debtor to prepay a debt instrument before maturity is consistent with SPPI when the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding (which may include reasonable additional compensation for the early termination of the contract).

  b. Instruments with an interest rate linked to contingent events:

     – An instrument whose interest rate is reset to a higher rate if the debtor misses a particular payment may meet the SPPI criterion because of the relationship between missed payments and an increase in credit risk.

     – An instrument with contractual cash flows that are indexed to the debtor’s performance – e.g. net income or is adjusted based on a certain index or stock market value would not meet the SPPI criterion.

  c. Perpetual instruments: to the extent that they can be considered instruments with continuous (multiple) extension options, they meet the SPPI test if the contractual flows meet it. When the issuer can defer the payment of interest, if such payment would affect their solvency, they would meet the SPPI test if the deferred interest accrues additional interest, while if they do not, they would not meet the test.

– Non-recourse financial instruments: In the case of debt instruments that are repaid primarily with the cash flows of specific assets or projects and the debtor has no legal responsibility, the underlying assets or cash flows are evaluated to determine whether the contractual cash flows of the instrument are consistent with payments of principal and interest on the principal amount outstanding.

  a. If the contractual terms do not give rise to additional cash flows to payments of principal and interest on the amount of principal outstanding or limitations to these payments, the SPPI test is met.

  b. If the debt instrument effectively represents an investment in the underlying assets and its cash flows are inconsistent with principal and interest (because they depend on the performance of a business), the SPPI test is not met.

– Contractually linked instruments: a look-through analysis is carried out in the case of transactions that are set through the issuance of multiple financial instruments forming tranches that create concentrations of credit risk in which there is an order of priority that specifies how the flows of cash generated by the underlying set of financial instruments are allocated to the different tranches. The debt tranches of the instrument will comply with the requirement that their cash flows represent only payment of principal and interest on the outstanding principal if:

  a. The contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding,

  b. The underlying pool of financial instruments comprises instruments with cash flow that are solely payments of principal and interest on the principal amount outstanding, and

  c. The exposure to credit risk in the underlying pool of financial instruments inherent in the tranche is equal to or lower than the exposure to credit risk of the underlying pool of financial instruments (for example, the credit rating of the tranche being assessed for classification is equal to or higher than the credit rating that would apply to a single tranche that funded the underlying pool of financial instruments).

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

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

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

– The financial asset is managed within a business model whose purpose is to maintain the financial assets to maturity, to receive contractual cash flows; and

– The contractual conditions of the financial asset give rise to cash flows that are only payments of principal and interest.

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):

Depreciation rates for tangible assets

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

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

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

In the BBVA Group, most of the buildings held for own use are assigned to the different Cash Generating Units (CGU) to which they belong. The corresponding impairment analyses are performed for these 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, insurees or beneficiaries and the premiums to be returned to policyholders or insurees, as the case may be, based on the behavior of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

- Technical provisions for reinsurance ceded:

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

- Other technical provisions:

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

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:

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

  b. The interest income accrued after the initial recognition will form part of the gross carrying amount of the debt instrument until it will be received.

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

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

- Income from dividends received:

  Dividends shall be recognized within the 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. A sound 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:

Contribution to Consolidated Group total assets. Entities by main activities (Millions of Euros)	2022	2021	2020
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
Total	**713,140**	**662,885**	**733,797**

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[1] 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[2] 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

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[1] All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

[2] Using the effective exchange rate of 16.14 Turkish lira per euro.

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.

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, after deducting 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, after deducting 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, after deducting 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
Maximum amount distributable	**2,828**
Amount of proposed interim dividend	**724**
BBVA cash balance available to the date	**46,768**

Other shareholder remuneration

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

Share buyback program

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

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

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

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

Allocation of earnings (Millions of Euros)

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

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:

Basic and Diluted Earnings per Share	2022	2021	2020
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	6,420	4,653	1,305
Adjustment: Additional Tier 1 securities (1)	(313)	(359)	(387)
Profit adjusted (millions of euros) (A)	**6,107**	**4,293**	**917**
Profit (loss) from continued operations (net of remuneration of Additional Tier 1 capital instruments)	6,107	4,014	2,646
Profit (loss) from discontinued operations (net of non-controlling interest) (B) (See Note 21)	—	280	(1,729)
Denominator for basic earnings per share (number of shares outstanding)			
Weighted average number of shares outstanding	6,424	6,668	6,668
Average treasury shares	(9)	(12)	(13)
Share buyback program (2)	(225)	(255)	—
Adjusted number of shares - Basic earnings per share (C)	**6,189**	**6,401**	**6,655**
Adjusted number of shares - diluted earnings per share (D)	**6,189**	**6,401**	**6,655**
Earnings (losses) per share	**0.99**	**0.67**	**0.14**
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:

Total Group assets by operating segments (Millions of Euros)	**2022**	**2021 (1)**	**2020 (1)**
Spain	427,193	413,430	408,022
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	40,328	35,194
Subtotal assets by operating segments	**748,660**	**684,233**	**668,474**
Corporate Center and adjustments (2)	(35,520)	(21,348)	65,323
Total assets BBVA Group	**713,140**	**662,885**	**733,797**

(1) In the first quarter of 2022 the Group changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas. Also in the first quarter of 2022, an equity 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 Spain to Rest of Business. Therefore, to ensure that year-on-year comparisons are homogeneous, the figures corresponding to the financial years 2021 and 2020 have been revised, which has not affected the consolidated financial information of the Group.
(2) 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 (1)
2022							
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)
Net attributable profit (loss) (2)	**6,420**	**1,678**	**4,182**	**509**	**734**	**240**	**(922)**
2021 (3)							
Net interest income	14,686	3,501	5,836	2,370	2,859	283	(163)
Gross income	21,066	5,890	7,603	3,422	3,162	776	212
Operating profit (loss) before tax	7,247	2,075	3,505	1,952	940	346	(1,571)
Profit (loss) after tax from discontinued operations	280	—	—	—	—	—	280
Net attributable profit (loss) (2)	**4,653**	**1,548**	**2,551**	**739**	**476**	**276**	**(938)**
2020 (3)							
Net interest income	14,592	3,562	5,415	2,783	2,701	295	(164)
Gross income	20,166	5,568	7,025	3,573	3,225	838	(63)
Operating profit (loss) before tax	5,248	816	2,457	1,521	876	278	(702)
Profit (loss) after tax from discontinued operations	(1,729)	—	—	—	—	—	(1,729)
Net attributable profit (loss) (2)	**1,305**	**647**	**1,749**	**563**	**432**	**221**	**(2,307)**

(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).

(2) See Note 55.2.

(3) In the first quarter of 2022 the Group changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas. Also in the first quarter of 2022, an equity 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 Spain to Rest of Business. Therefore, to ensure that year-on-year comparisons are homogeneous, the figures corresponding to the financial years 2021 and 2020 have been revised, which has not affected the consolidated financial information of the Group.

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

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 and further adjustments are expected to be announced in the coming months (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively), taking them up to around 5.0% in the first case and 3.75% in the case of the interest rates for refinancing operations in the Eurozone. The Group’ s results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in funding costs. Further, increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of its counterparties.

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

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

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

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

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

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

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

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

– Risks associated with pandemics such as the COVID-19

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

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

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

– Regulatory and reputational risks

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

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

- **Business, operational and legal risks**

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

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

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

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

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

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

As of December 31, 2022, the Group had €685 million in provisions for the proceedings it is facing (included in the line "Provisions for taxes and other legal contingencies" in the consolidated balance sheet) (see Note 24), of which €524 million correspond to legal contingencies and €161 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

2019 to contribute to the clarification of the facts. As of the date of the preparation of the Consolidated Financial Statements, no formal accusation against the Bank has been made.

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

– Climate change risks

Climate change presents 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 sound mitigation and control mechanisms.
- Risks should be managed in a prudent and integrated manner during their life cycle and their treatment should be based on the type of risk. In addition, portfolios should be actively managed on the basis of a common metric (economic capital).
- The main criterion when granting credit risks is the capability of the borrower or obligor to fulfill on a timely basis all financial obligations with its business income or source of income without depending upon guarantors, bondsmen or pledged assets.
- Improve the financial health of our clients, help them in their decision making and in the daily management of their finances based on personalized advice.
- Help our clients in the transition towards a sustainable future, with a focus on climate change and inclusive and sustainable social development.

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

- At Group level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the channels, procedures, structure and supervision.
- At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area and for direct management of risk according to the decision-making channel:
    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, Crecer* 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			
	Existing	Completed	Total	Number of customers	Total	Number of customers	Total payment deferral and guarantees	(%) credit investment
December 2022	—	18,103	18,103	1,791,756	13,955	248,009	32,059	8.2 %
December 2021	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
Group	**—**	**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
Of which: Mortgages	*—*	*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
Group	**13,109**	**15,526**	**847**	**568**	**13,955**	**16,093**
Households	1,240	1,347	62	29	1,302	1,376
Of which: Mortgages	*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.

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 ensures an individualized review of the credit quality of its wholesale counterparties, identifying the situations in which a change in the risk profile of these clients may have occurred and proceeding, where appropriate, to estimate individualized credit losses. Along with this review, the Group individually estimates the expected losses of those clients whose total exposure exceeds certain thresholds, including those that part of their operations may be classified in *stage* 1 and part in *stage* 2. In setting thresholds, each 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 a sound and applicable business restructuring plan, taking into account the resulting changes in the structure of the company (for example, due to divestments or the interruption of unprofitable lines of business).

    d. (Re)-investments that are needed to preserve cash flows should be considered, as well as any foreseeable future cash-flow changes (e.g. if a patent or a long-term loan expires).

    e. When the recoverability of the exposure relies on the realization of the disposal of some assets by the debtor, the selling price should reflect the estimated future cash flows that may result from the sale of the assets less the estimated costs associated with the disposal.

- Gone concern scenario: when the entity does not have updated and reliable information, it should consider that the estimation of loan receivable flows is highly uncertain. Estimation should be carried out through the estimation of recoverable amounts from the effective real guarantees received. It will not be admissible as effective guarantees, those whose effectiveness depends substantially on the creditworthiness of the debtor or economic group in which it takes part. Under a gone concern scenario, the collateral is exercised and the operating cash flows of the debtor cease. This could be the case if:

    a. The exposure has been past due for a long period. There is a rebuttable presumption that the allowance should be estimated under a gone concern criterion when arrears are greater than 18 months.

    b. Future operating cash flows of the debtor are estimated to be low or negative.

    c. Exposure is significantly collateralized, and this collateral is central to cash-flow generation.

    d. There is a significant degree of uncertainty surrounding the estimation of the future cash flows. This would be the case if the earnings before interest, taxes, depreciation and amortization (EBITDA) of the two previous years had been negative, or if the business plans of the previous years had been flawed (due to material discrepancies in the backtesting).

e. Insufficient information is available to perform a going concern analysis.

Significant increase in credit risk

As indicated in Note 2.2, 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:

(Current PD) / (Origination PD) - 1*100 >Relative Threshold (%) and

Current PD – Origination PD > 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

	Spain			Mexico			Turkey	
Date	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 %

	Peru		Argentina		Colombia	
Date	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

	Spain			Mexico			Turkey	
Date	**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 %

	Peru		Argentina		Colombia	
Date	**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

	Spain			Mexico			Turkey	
Date	**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 %

	Peru		Argentina		Colombia	
Date	**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

	Spain			Mexico			Turkey	
Date	**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 %

	Peru		Argentina		Colombia	
Date	**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

	Spain			Mexico			Turkey	
Date	**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 %

	Peru		Argentina		Colombia	
Date	**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

	Spain			Mexico			Turkey	
Date	**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 %

	Peru		Argentina		Colombia	
Date	**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

	BBVA Group				Spain			Mexico			Turkey		
GDP	**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)
Housing price													
- 100 bps						1	23			4			
+100 bps						(1)	(22)			(3)			

Expected loss variation as of December 31, 2021

	BBVA Group				Spain			Mexico			Turkey		
GDP	**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)
Housing price													
- 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 were reviewed, resulting in an adjustment whose remaining amount at the end of 2022 was €138 million, with no significant variation in year.

The complementary adjustments pending allocation to specific operations or clients as of December 31, 2022 totaled €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 guarantee compliance with payment obligations. The details are broken down by financial instruments:

Maximum credit risk exposure (Millions of Euros)					
	Notes	December 2022	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**70,763**			
Equity instruments	10	4,404			
Debt securities	10	24,367			
Loans and advances	10	41,993			
Non-trading financial assets mandatorily at fair value through profit or loss		**6,888**			
Equity instruments	11	6,511			
Debt securities	11	129			
Loans and advances	11	247			
Financial assets designated at fair value through profit or loss	**12**	**913**			
Derivatives (trading and hedging)		**53,101**			
Financial assets at fair value through other comprehensive income		**59,100**			
Equity instruments	13	1,198			
Debt securities		57,876	57,028	822	26
Loans and advances to credit institutions	13	26	26	—	—
Financial assets at amortized cost		**433,445**	**386,048**	**33,873**	**13,523**
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
Total financial assets risk		**624,210**			
Total loan commitments and financial guarantees		**192,568**	**181,427**	**9,993**	**1,147**
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
Total maximum credit exposure		**816,778**			

Maximum credit risk exposure (Millions of Euros)					
	Notes	December 2021	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**92,560**			
Equity instruments	10	15,963			
Debt securities	10	25,790			
Loans and advances	10	50,807			
Non-trading financial assets mandatorily at fair value through profit or loss		**6,086**			
Equity instruments	11	5,303			
Debt securities	11	128			
Loans and advances	11	655			
Financial assets designated at fair value through profit or loss	**12**	**1,092**			
Derivatives (trading and hedging)		**43,687**			
Financial assets at fair value through other comprehensive income		**60,495**			
Equity instruments	13	1,320			
Debt securities		59,148	58,587	561	—
Loans and advances to credit institutions	13	27	27	—	—
Financial assets at amortized cost		**383,870**	**334,772**	**34,418**	**14,680**
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
Total financial assets risk		**587,789**			
Total loan commitments and financial guarantees		**165,941**	**152,914**	**12,070**	**957**
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
Total maximum credit exposure		**753,730**			

Maximum credit risk exposure (Millions of Euros)	Notes	December 2020	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**65,696**			
Equity instruments	10	11,458			
Debt securities	10	23,970			
Loans and advances	10	30,268			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,198**			
Equity instruments	11	4,133			
Debt securities	11	356			
Loans and advances	11	709			
Financial assets designated at fair value through profit or loss	**12**	**1,117**			
Derivatives (trading and hedging)		**46,302**			
Financial assets at fair value through other comprehensive income		**69,537**			
Equity instruments	13	1,100			
Debt securities		68,404	67,995	410	—
Loans and advances to credit institutions	13	33	33	—	—
Financial assets at amortized cost		**379,857**	**334,552**	**30,607**	**14,698**
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
Total financial assets risk		**567,705**			
Total loan commitments and financial guarantees		**179,440**	**165,726**	**12,682**	**1,032**
Loan commitments given	33	132,584	124,104	8,214	265
Financial guarantees given	33	10,665	9,208	1,168	290
Other commitments given	33	36,190	32,414	3,300	477
Total maximum credit exposure		**747,145**			

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 (1)	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 (2)	39,547	32,755	4,436	2,356	(2,105)	(224)	(358)	(1,523)	37,443	32,531	4,078	833
South America (3)	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
Total (4)	**369,260**	**322,199**	**33,568**	**13,493**	**(11,237)**	**(2,014)**	**(1,938)**	**(7,284)**	**358,023**	**320,185**	**31,629**	**6,208**
Of which: individual					*(2,164)*	*(21)*	*(604)*	*(1,539)*				
Of which: collective					*(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 (1)	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 (2)	33,472	26,497	4,134	2,841	(2,058)	(224)	(424)	(1,410)	31,414	26,273	3,711	1,431
South America (3)	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
Total (4)	**330,055**	**281,195**	**34,203**	**14,657**	**(11,116)**	**(1,964)**	**(2,091)**	**(7,061)**	**318,939**	**279,231**	**32,112**	**7,596**
Of which: individual					*(2,528)*	*(4)*	*(657)*	*(1,867)*				
Of which: collective					*(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 (1)	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 (2)	39,633	30,832	5,806	2,995	(2,338)	(246)	(535)	(1,557)	37,295	30,586	5,272	1,438
South America (3)	34,499	28,484	4,312	1,703	(1,870)	(320)	(460)	(1,090)	32,629	28,165	3,852	612
Others	925	912	5	8	(7)	(1)	—	(6)	918	911	4	2
Total (4)	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**
Of which: individual					*(2,611)*	*(10)*	*(479)*	*(2,122)*				
Of which: collective					*(9,494)*	*(1,995)*	*(1,808)*	*(5,691)*				

(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
Loans and advances to customers	**369,260**	**322,199**	**33,568**	**13,493**	**(11,237)**	**(2,014)**	**(1,938)**	**(7,284)**	**358,023**	**320,185**	**31,629**	**6,208**

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
Loans and advances to customers	**330,055**	**281,195**	**34,203**	**14,657**	**(11,116)**	**(1,964)**	**(2,091)**	**(7,061)**	**318,939**	**279,231**	**32,112**	**7,596**

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
Loans and advances to customers	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**

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
LOANS AND ADVANCES	**4,401**	**20,892**	**16,057**	**12,765**	**165,670**	**158,943**	**378,728**	**390,019**
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
LOANS AND ADVANCES	**5,681**	**19,822**	**13,303**	**9,804**	**141,431**	**148,536**	**338,577**	**349,719**
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
LOANS AND ADVANCES	**6,209**	**19,475**	**14,608**	**9,817**	**136,966**	**145,598**	**332,672**	**344,813**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*372*	*—*	*209*	*22,091*	*94,147*	*116,819*	*120,194*
Of which: other collateralized loans	*472*	*952*	*—*	*317*	*3,763*	*2,059*	*7,562*	*7,776*
By purpose of the loan								
Of which: credit for consumption						*39,799*	*39,799*	*43,037*
Of which: lending for house purchase						*94,098*	*94,098*	*95,751*
By subordination								
Of which: project finance loans					*10,721*		*10,721*	*11,032*

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
Value of collateral	**125,963**	**117,362**	**116,900**
Of which: guarantees normal risks under special monitoring	*12,826*	*11,768*	*11,296*
Of which: guarantees non-performing risks	*3,440*	*3,981*	*3,577*
Value of other guarantees	**40,050**	**48,680**	**47,012**
Of which: guarantees normal risks under special monitoring	*4,963*	*7,404*	*4,045*
Of which: guarantees non-performing risks	*984*	*886*	*575*
Total value of guarantees received	**166,013**	**166,042**	**163,912**

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
Total	**91.0**	**9.0**	**89.4**	**10.6**	**89.9**	**10.1**

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
Total	**94.8**	**5.2**

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
Central banks	**4,420**	**—**	**(19)**	**—%**
General governments	**20,922**	**38**	**(30)**	**0.2%**
Credit institutions	**16,066**	**—**	**(35)**	**—%**
Other financial corporations	**12,802**	**17**	**(37)**	**0.1%**
Non-financial corporations	**171,006**	**6,340**	**(5,495)**	**3.7%**
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 %
Households	**164,530**	**7,098**	**(5,675)**	**4.3%**
LOANS AND ADVANCES	**389,745**	**13,493**	**(11,291)**	**3.5%**

December 2021 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	**5,687**	**—**	**(6)**	**— %**
General governments	**19,719**	**62**	**(37)**	**0.3 %**
Credit institutions	**13,295**	**—**	**(19)**	**— %**
Other financial corporations	**9,826**	**24**	**(23)**	**0.2 %**
Non-financial corporations	**146,797**	**7,290**	**(5,804)**	**5.0 %**
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 %
Households	**153,714**	**7,281**	**(5,253)**	**4.7 %**
LOANS AND ADVANCES	**349,037**	**14,657**	**(11,142)**	**4.2 %**

December 2020 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	**6,229**	**—**	**(20)**	**— %**
General governments	**19,439**	**76**	**(48)**	**0.4 %**
Credit institutions	**14,591**	**6**	**(16)**	**— %**
Other financial corporations	**9,856**	**14**	**(39)**	**0.1 %**
Non-financial corporations	**142,547**	**7,477**	**(6,123)**	**5.2 %**
Agriculture, forestry and fishing	3,438	132	(108)	3.8 %
Mining and quarrying	4,349	47	(59)	1.1 %
Manufacturing	33,771	1,486	(1,129)	4.4 %
Electricity, gas, steam and air conditioning supply	13,490	591	(509)	4.4 %
Water supply	899	17	(15)	1.9 %
Construction	10,019	1,397	(722)	13.9 %
Wholesale and retail trade	24,594	1,456	(1,223)	5.9 %
Transport and storage	8,117	489	(368)	6.0 %
Accommodation and food service activities	8,337	358	(294)	4.3 %
Information and communications	5,764	73	(60)	1.3 %
Financial and insurance activities	5,298	123	(132)	2.3 %
Real estate activities	10,025	617	(494)	6.2 %
Professional, scientific and technical activities	2,886	177	(124)	6.1 %
Administrative and support service activities	3,955	142	(192)	3.6 %
Public administration and defense, compulsory social security	129	5	(4)	3.5 %
Education	665	54	(43)	8.1 %
Human health services and social work activities	1,812	67	(59)	3.7 %
Arts, entertainment and recreation	1,131	46	(65)	4.1 %
Other services	3,871	198	(523)	5.1 %
Households	**151,410**	**7,106**	**(5,895)**	**4.7 %**
LOANS AND ADVANCES	**344,072**	**14,678**	**(12,141)**	**4.3 %**

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
Balance at the beginning	**15,467**	**15,478**	**16,770**
Additions	8,084	8,556	9,533
Decreases [1]	(5,742)	(4,555)	(5,024)
Net additions	**2,342**	**4,001**	**4,509**
Amounts written-off	(2,771)	(3,613)	(3,603)
Exchange differences and other	(517)	(399)	(968)
Discontinued operations	—	—	(1,230)
Balance at the end	**14,521**	**15,467**	**15,478**

(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:

Changes in impaired financial assets written-off from the balance sheet (Millions of Euros)

	Notes	2022	2021	2020
Balance at the beginning		**21,990**	**22,001**	**26,245**
Companies held for sale (1)		—	—	(4,646)
Increase		2,871	3,709	3,440
Decrease:		(2,431)	(3,605)	(2,715)
Re-financing or restructuring		*(2)*	*(1)*	*(7)*
Cash recovery	*47*	*(390)*	*(423)*	*(339)*
Foreclosed assets		*(25)*	*(17)*	*(479)*
Sales (2)		*(1,498)*	*(2,437)*	*(1,223)*
Debt forgiveness		*(368)*	*(599)*	*(607)*
Time-barred debt and other causes		*(147)*	*(129)*	*(60)*
Net exchange differences		165	(116)	(323)
Balance at the end		**22,595**	**21,990**	**22,001**

(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.

Changes in gross accounting balances of loans and advances at amortized cost. Year 2022 (Millions of Euros)

	Stage 1	*Stage 2*	*Stage 3*	Total
Balance at the beginning	**300,167**	**34,213**	**14,657**	**349,037**
Transfers of financial assets:	(5,041)	3,914	1,128	—
Transfers from stage 1 to stage 2	*(12,726)*	*12,726*	*—*	*—*
Transfers from stage 2 to stage 1	*8,537*	*(8,537)*	*—*	*—*
Transfers to stage 3	*(1,941)*	*(1,831)*	*3,773*	*—*
Transfers from stage 3	*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
Balance at the end	**342,616**	**33,636**	**13,493**	**389,745**

Changes in allowances of loans and advances at amortized cost. Year 2022 (Millions of Euros)				
	Stage 1	*Stage 2*	*Stage 3*	**Total**
Balance at the beginning	**(1,990)**	**(2,091)**	**(7,061)**	**(11,142)**
Transfers of financial assets:	63	33	(1,570)	(1,473)
Transfers from stage 1 to stage 2	*110*	*(397)*	*—*	*(287)*
Transfers from stage 2 to stage 1	*(91)*	*374*	*—*	*283*
Transfers to stage 3	*51*	*204*	*(1,917)*	*(1,662)*
Transfers from stage 3	*(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
Balance at the end	**(2,065)**	**(1,942)**	**(7,284)**	**(11,291)**

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**
Balance at the beginning	**298,793**	**30,601**	**14,678**	**344,072**
Transfers of financial assets:	(10,785)	8,640	2,145	—
Transfers from stage 1 to stage 2	*(14,482)*	*14,482*	*—*	*—*
Transfers from stage 2 to stage 1	*4,905*	*(4,905)*	*—*	*—*
Transfers to stage 3	*(1,772)*	*(1,945)*	*3,717*	*—*
Transfers from stage 3	*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)
Balance at the end	**300,167**	**34,213**	**14,657**	**349,037**

Changes in allowances of loans and advances at amortized cost. Year 2021 (Millions of Euros)				
	Stage 1	*Stage 2*	*Stage 3*	**Total**
Balance at the beginning	**(2,037)**	**(2,289)**	**(7,815)**	**(12,141)**
Transfers of financial assets:	187	441	(2,521)	(1,893)
Transfers from stage 1 to stage 2	*139*	*(602)*	*—*	*(463)*
Transfers from stage 2 to stage 1	*(60)*	*307*	*—*	*247*
Transfers to stage 3	*111*	*802*	*(2,775)*	*(1,862)*
Transfers from stage 3	*(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
Balance at the end	**(1,990)**	**(2,091)**	**(7,061)**	**(11,142)**

Changes in gross accounting balances of loans and advances at amortized cost. Year 2020 (Millions of Euros)				
	Stage 1	*Stage 2*	*Stage 3*	**Total**
Balance at the beginning	**363,234**	**33,518**	**15,959**	**412,711**
Transfers of financial assets:	(11,935)	8,807	3,128	—
Transfers from stage 1 to stage 2	*(15,843)*	*15,843*	*—*	*—*
Transfers from stage 2 to stage 1	*5,107*	*(5,107)*	*—*	*—*
Transfers to stage 3	*(1,701)*	*(2,659)*	*4,359*	*—*
Transfers from stage 3	*502*	*729*	*(1,231)*	*—*
Net annual origination of financial assets	16,119	(827)	102	15,395
Becoming write-offs	(3)	(2)	(2,944)	(2,949)
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)
Balance at the end	**298,793**	**30,601**	**14,678**	**344,072**

Changes in allowances of loans and advances at amortized cost. Year 2020 (Millions of Euros)				
	Stage 1	*Stage 2*	*Stage 3*	**Total**
Balance at the beginning	**(2,149)**	**(2,183)**	**(8,094)**	**(12,427)**
Transfers of financial assets:	184	(511)	(1,806)	(2,133)
Transfers from stage 1 to stage 2	*156*	*(923)*	*—*	*(766)*
Transfers from stage 2 to stage 1	*(50)*	*253*	*—*	*202*
Transfers to stage 3	*81*	*218*	*(1,950)*	*(1,652)*
Transfers from stage 3	*(3)*	*(59)*	*144*	*83*
Net annual origination of allowances	(872)	(795)	(1,329)	(2,996)
Becoming write-offs	—	—	2,567	2,568
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
Balance at the end	**(2,037)**	**(2,289)**	**(7,815)**	**(12,141)**

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 XI.

7.2.8 Risk concentration

Policies for preventing excessive risk concentration

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

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

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

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

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 XII.

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 XII.

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 (1)		Impact on economic value (2)		Impact on economic value (2)
	100 basis point increase	100 basis point decrease (3)	100 basis point increase	100 basis point decrease (3)	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%]
BBVA Group	**[3.5% , 5.5%]**	**[-5.5% , -3.5%]**	**[0.5% , 1.5%]**	**[-1.5% , -0.5%]**	**[-3.5% , -1.5%]**

(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 continues to maintain a moderate risk profile, in accordance with the established objective, having positive sensitivity to interest rate hikes in the net interest income.

Regarding relevant events in the financial markets, the ECB began the process of raising interest rates in July 2022 with the aim of curbing inflation, with a rise of 250 basis points in the year, and the FED, for its part, implemented increases of 425 basis points in 2022. Although, additional increases are expected in 2023 (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively) since inflation remains at high levels. In relation to fixed income markets, valuations have been affected by the strong general increase in interest rates and the widening of risk premiums, in line with inflation expectations, which are expected to continue above reference levels. Spanish and Italian debt spreads worsened with widenings relative to the German curve, especially in the case of Italy. 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, the sensitivity of loans, which are mostly fixed-rate but with relatively short maturities, and the ALCO portfolio limit the sensitivity of deposits on the liability side. The interest rate risk is thus limited, both in Turkish lira and in 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
Total	**16,615**	**171**	**1,977**	**159**	**423,468**

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 control and monitor market risk in the BBVA Group are aligned with market practices and are implemented consistently across all the local market risk units.

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

The standard metric used to measure market risk is Value at Risk (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.

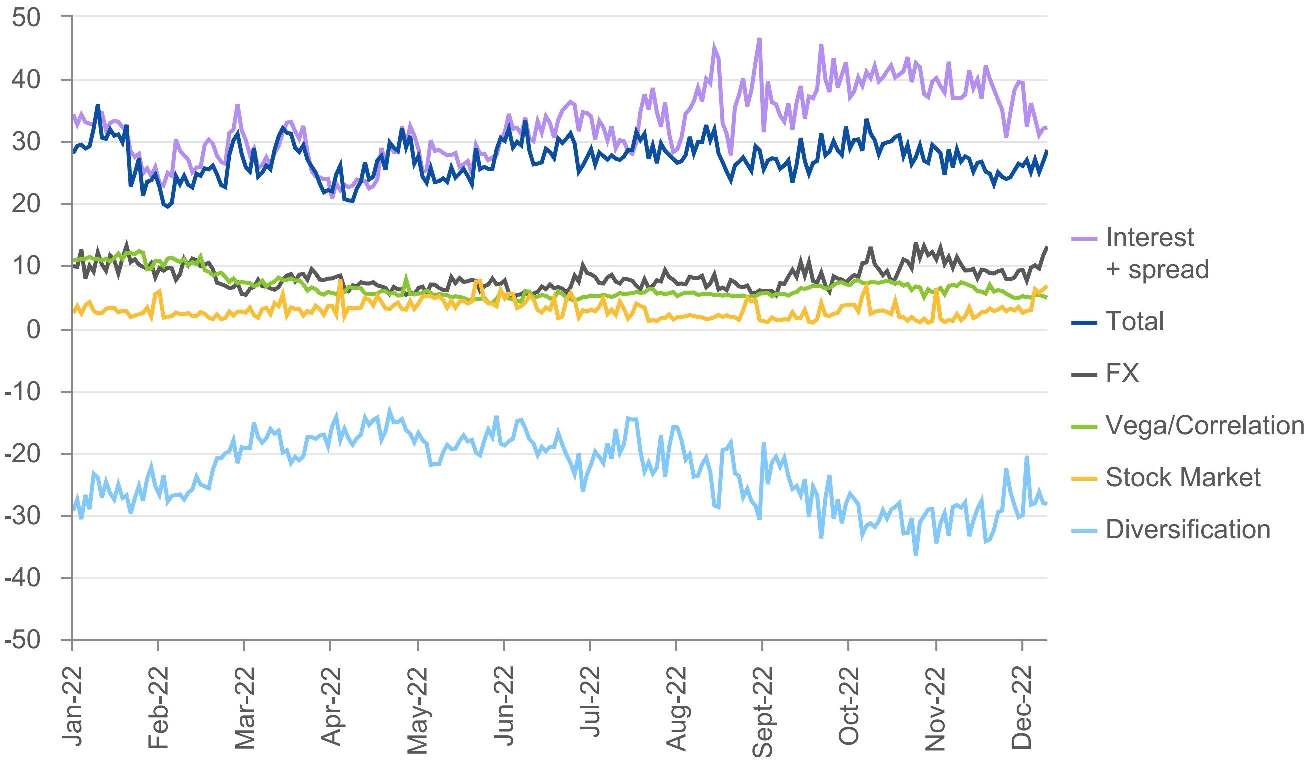
- Specific Risk - Incremental Risk Capital ("IRC"). Quantification of the risks of default and changes of the credit ratings of the bond and derivative positions and debt funds with daily look-through or significant benchmark (correlation > 90%) in the trading portfolio. The IRC charge is exclusively 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 underling 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 (1)	Total
2022						
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
End of period VaR	**32**	**13**	**7**	**5**	**(28)**	**29**
2021						
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
End of period VaR	**34**	**9**	**5**	**11**	**(29)**	**31**
2020						
VaR average in the year	29	12	4	11	(28)	27
VaR max in the year	39	20	10	20	(14)	39
VaR min in the year	20	3	1	6	(39)	18
End of period VaR	**32**	**12**	**2**	**11**	**(29)**	**28**

(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)

					Gross amounts not offset in the consolidated balance sheets (D)		
	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)	Financial instruments	Cash collateral received/ pledged	Net amount (E=C-D)
December 2022							
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)
Total assets		**99,465**	**10,554**	**88,911**	**76,468**	**12,431**	**11**
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
Total liabilities		**106,149**	**10,554**	**95,594**	**84,502**	**10,084**	**1,008**
December 2021							
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)
Total assets		**90,645**	**3,611**	**87,034**	**77,534**	**10,971**	**(1,471)**
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)
Total liabilities		**92,074**	**3,584**	**88,490**	**80,698**	**10,798**	**(3,006)**
December 2020							
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)
Total assets		**79,983**	**5,688**	**74,294**	**66,604**	**9,178**	**(1,488)**
Trading and hedging derivatives	10 / 15	49,720	5,722	43,998	33,842	9,435	721
Repurchase, securities lending and similar agreements		41,571	—	41,571	42,298	1,619	(2,346)
Total liabilities		**91,291**	**5,722**	**85,569**	**76,140**	**11,054**	**(1,624)**

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 solid balance sheet structure which allows a sustainable business model. The Group’s liquidity and funding strategy is based on the following pillars:

- The principle of the funding self-sufficiency of its subsidiaries, meaning that each of the Liquidity Management Units (LMU) must cover its funding needs independently on the markets where it operates. This avoids possible contagion due to a crisis affecting one or more of the Group's LMU.

- Stable customer deposits as the main source of funding in all the LMU, in accordance with the Group's business model.

- Diversification of the sources of wholesale funding, in terms of maturity, market, instruments, counterparties and currencies, with recurring access to the markets.

- Compliance with regulatory requirements, ensuring the availability of ample liquidity buffers, of high quality, as well as sufficient instruments as required by regulations with the capacity to absorb losses.

- Compliance with the internal Liquidity Risk and Funding metrics, while adhering to the Risk Appetite level established for each LMU at any time.

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

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

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

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

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

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

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 a sound liquidity profile. In geographical areas with dual-currency balances, the indicator is also controlled by currency to manage the mismatches that might occur.

Stable customer funds are considered to be the financing obtained and managed from the 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 if the balances by which different aspects are evaluated (concentration, stability, level of loyalty). The main source of stable resources arises from wholesale funding and retail customer funds.

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

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

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

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

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

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

The stress tests conducted on a regular basis by GRM reveal that BBVA maintains a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario resulting from the combination of a systemic crisis and an unexpected internal crisis, during a period of longer than 3 months in general 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 guarantee and improve the stability and diversification of the wholesale funding sources.

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

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

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

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

In practice, the execution of the principles of planning and self-funding at the different 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 a robust 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 robustness of 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
Group (average)	**96 %**	**95 %**	**95 %**
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
Group	**159 %**	**165 %**	**149 %**
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 sound 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	—	—	—	—	—	—	—	—	—	—	—	—
Cumulated counterbalancing capacity	**110,981**	**115,127**	**119,560**	**27,388**	**26,472**	**18,672**	**16,181**	**14,449**	**13,873**	**14,136**	**13,440**	**13,814**

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

	2022	2021	2020 (1)
Group	**135 %**	**135 %**	**127 %**
BBVA, S.A.	125 %	126 %	121 %
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
ASSETS											
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
LIABILITIES											
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
ASSETS											
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
LIABILITIES											
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) [(1)]

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	42,518	32,741	—	—	—	—	—	—	—	—	75,258
Deposits in credit entities	—	3,616	677	921	356	461	117	120	2	39	6,309
Deposits in other financial institutions	—	2,202	855	797	734	543	1,251	721	515	500	8,119
Reverse repo, securities borrowing and margin lending	—	20,033	4,757	1,351	364	368	3,320	1,849	891	1,089	34,021
Loans and advances	279	16,939	24,280	23,012	15,579	17,032	46,182	38,851	51,709	110,173	344,036
Securities' portfolio settlement	—	3,896	6,680	6,557	5,084	13,014	9,858	15,494	17,231	50,045	127,859

(1) It includes the balance of the companies in the United States (see Notes 3 and 21).

December 2020. Contractual maturities (Millions of Euros) [(1)]

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	—	4,750	2,618	3,963	1,283	1,543	10,573	7,505	12,793	23,839	68,868
Deposits 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 a sound liquidity position. Commercial activity has generated liquidity due to greater growth in customer deposits above loan growth, especially in the last quarter of the year. In December, the Bank began the repayment of the TLTRO III program for an amount of €12 billion, corresponding to approximately one third of the total drawdown amount. On the other hand, in order to maintain sufficient collateral available, mortgage coverage and territorial bonds have been issued for an amount of €2 billion, held in treasury shares. Likewise, mortgage securitizations held in treasury shares have been issued, generating collateral for an amount of €4.4 billion.

- In 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 comfortable 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 to encourage Turkish lira deposits, partially offset by lower loans in foreign currency. Garanti BBVA continues to maintain a stable 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 solid 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 €1,000 million, two series of senior non-preferred debt securities in an aggregate amount of USD 1,750 million, six series of senior preferred debt securities in an aggregate amount of €4,065 million, a senior preferred bond (green bond) issuance for €1,250 million and two senior preferred bond (green bond) issuances in an aggregate amount of 425 million Swiss francs. Additionally, in May 2022, the convertible preferred shares (CoCos) issued by BBVA in May 2017 were redeemed early and in June 2022 a loan securitization transaction was completed in connection with vehicle financing loans for an amount of €1,200 million.

- For its part, BBVA México issued a sustainable bond for 10,000 million 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) with a ratio of 65% 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
Assets	**92,916**	**114,336**	**121,999**				**620,257**	**548,548**	**614,260**			
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:

Collateral received (Millions of Euros)

	Fair value of encumbered collateral received or own debt securities issued			Fair value of collateral received or own debt securities issued available for encumbrance			Fair value of collateral received or own debt securities issued not available for encumbrance		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Collateral received	**40,701**	**40,905**	**30,723**	**9,415**	**17,029**	**8,652**	**1,279**	**1,719**	**1,071**
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	—	—	—	—	—	—	—	—	—
Own debt securities issued other than own covered bonds or ABSs	**—**	**—**	**3**	**92**	**50**	**94**	**—**	**—**	**—**

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:

Sources of encumbrance (Millions of Euros)

	Matching liabilities, contingent liabilities or securities lent			Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Book value of financial liabilities	**122,400**	**137,242**	**131,352**	**128,628**	**151,275**	**147,523**
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
Other sources	**731**	**620**	**653**	**4,989**	**3,966**	**5,202**

8. Fair value of financial instruments

Framework and processes control

As part of the process established in the Group for determining the fair value in order to ensure that financial assets and liabilities are properly following the IFRS 13 principles: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

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

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

		2022		2021		2020	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS							
Cash, cash balances at central banks and other demand deposits	9	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
LIABILITIES							
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:

Fair Value of Financial Instruments 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
ASSETS									
Financial assets held for trading	**22,710**	**85,636**	**2,325**	**32,371**	**87,736**	**3,386**	**32,555**	**71,938**	**1,386**
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
Non-trading financial assets mandatorily at fair value through profit or loss	**5,720**	**151**	**1,017**	**4,378**	**522**	**1,186**	**3,826**	**381**	**992**
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
Financial assets designated at fair value through profit or loss	**913**	**—**	**—**	**916**	**176**	**—**	**939**	**178**	**—**
Equity instruments	—	—	—	—	—	—	—	—	—
Debt securities	913	—	—	916	176	—	939	178	—
Loans and advances	—	—	—	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	**48,235**	**10,237**	**508**	**52,157**	**7,545**	**719**	**60,976**	**7,866**	**598**
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	—	—
Derivatives – Hedge accounting	**4**	**1,887**	**—**	**63**	**1,733**	**9**	**120**	**1,862**	**8**
LIABILITIES									
Financial liabilities held for trading	**20,611**	**73,871**	**1,129**	**26,215**	**64,305**	**615**	**27,587**	**56,127**	**395**
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
Financial liabilities designated at fair value through profit or loss	**—**	**8,990**	**1,590**	**1**	**8,243**	**1,439**	**—**	**8,558**	**1,492**
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	—
Derivatives – Hedge accounting	**100**	**3,179**	**25**	**53**	**2,573**	**—**	**53**	**2,250**	**15**

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments recorded at amortized cost classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2022, 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			
ASSETS									
Financial assets held for trading	**85,636**	**2,325**	**87,736**	**3,386**	**71,938**	**1,386**			
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		
Non-trading financial assets mandatorily at fair value through profit or loss	**151**	**1,017**	**522**	**1,186**	**381**	**992**			
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	—	499	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
Financial assets designated at fair value through profit or loss	**—**	**—**	**176**	**—**	**178**	**—**	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	
Debt securities	—	—	176	—	178	—			
Financial assets at fair value through other comprehensive income	**10,237**	**508**	**7,545**	**719**	**7,866**	**598**			
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
Hedging derivatives	**1,887**	**—**	**1,733**	**9**	**1,862**	**8**			
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				
	Level 2	**Level 3**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Valuation techniques**	**Observable inputs**	**Unobservable inputs**
LIABILITIES									
Financial liabilities held for trading	**73,871**	**1,129**	**64,305**	**615**	**56,127**	**395**			
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		- Beta - Correlation between tenors - Interest rates volatility
Equity							Future and Equity forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- 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		- 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
Financial liabilities designated at fair value through profit or loss	**8,990**	**1,590**	**8,243**	**1,439**	**8,558**	**1,492**	**Present-value method (Discounted future cash flows)**	**- Prepayment rates - Issuer´s credit risk - Current market interest rates**	**- Prepayment rates - Issuer´s credit risk - Current market interest rates**
Derivatives – Hedge accounting	**3,179**	**25**	**2,573**	**—**	**2,250**	**15**			
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		- 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: Black 76, 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		

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 (1)	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	0.71 %	3.48 %	5.52 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation default	26 %	44 %	58 %	%
	Black 76	Price volatility	—	—	—	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (2)				
		Correlations	(93 %)	59 %	99 %	%
		Volatility	7.81	32.62	98.71	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	5.32	11.93	20.73	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25 %	2 %	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 (1)	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	(2.71 %)	1.16 %	4.99 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation default	35 %	43 %	53 %	%
	Black 76	Price volatility	—	—	—	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (2)				
		Correlations	(88 %)	60 %	99 %	%
		Volatility	5.57	26.30	62.00	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	3.96	9.71	16.34	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25 %	2 %	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 (1)	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 (2)				
		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:

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

	2022		2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	**5,301**	**2,054**	**2,984**	**1,902**	**3,316**	**2,103**
Changes in fair value recognized in profit and loss (1)	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 (2)	(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 (3)			—	—	(518)	(5)
Balance at the end	**3,850**	**2,743**	**5,301**	**2,054**	**2,984**	**1,902**

(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.

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
ASSETS						
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	—	—	—	—	—	—
Total	**2,407**	**1**	**2,990**	**340**	**95**	**996**
LIABILITIES						
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	—	—
Total	**524**	**—**	**239**	**387**	**—**	**313**

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
ASSETS												
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	—	—
Total	**1,528**	**19**	**542**	**234**	**24**	**665**	**2,096**	**22**	**342**	**652**	**4**	**121**
LIABILITIES												
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	—	—	—	—	—	—	—	—	—	—	—	—
Total	**562**	**—**	**24**	**95**	**15**	**160**	**8**	**3**	**—**	**236**	**—**	**40**

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 occured 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:

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

	Potential impact on consolidated income statement				Potential impact on other comprehensive income			
	Most favorable hypothesis		Least favorable hypothesis		Most favorable hypothesis		Least favorable hypothesis	
	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS								
Financial assets held for trading	33	33	(33)	(57)	—	—	—	—
Loans and advances	1	4	(1)	(4)	—	—	—	—
Debt securities	—	24	—	(24)	—	—	—	—
Equity instruments	25	1	(25)	(25)	—	—	—	—
Derivatives	6	5	(6)	(5)	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	135	35	(136)	(36)	—	—	—	—
Loans and advances	—	16	—	(5)	—	—	—	—
Debt securities	17	10	(19)	(10)	—	—	—	—
Equity instruments	118	9	(118)	(21)	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	25	41	(25)	(43)
Total	**168**	**68**	**(169)**	**(93)**	**25**	**41**	**(25)**	**(43)**
LIABILITIES								
Financial liabilities held for trading	7	3	(7)	(3)	—	—	—	—
Total	**7**	**3**	**(7)**	**(3)**	**—**	**—**	**—**	**—**

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
ASSETS									
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
LIABILITIES									
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		
ASSETS								
Financial assets at amortized cost	**13,393**	**371,112**	**13,033**	**331,205**	**15,066**	**324,005**	Present-value method (Discounted future cash flows)	
Loans and advances to central banks	—	142	—	—	—	—		- 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
LIABILITIES								
Financial liabilities at amortized cost	**266,194**	**181,746**	**243,847**	**153,016**	**255,278**	**144,889**	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from central banks	—	300	—	300	—	207		
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 [1]		67,314	55,004	53,079
Other demand deposits		5,909	5,918	5,994
Total	**8.1**	**79,756**	**67,799**	**65,520**

(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
ASSETS				
Derivatives [1]		39,908	30,933	40,183
Equity instruments [2]	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 [3]		*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*
Total assets	**8.1**	**110,671**	**123,493**	**105,878**
LIABILITIES				
Derivatives [1]		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*
Total liabilities	**8.1**	**95,611**	**91,135**	**84,109**

(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
Interest rate	**19,563**	**18,220**	**4,286,531**	**15,782**	**15,615**	**3,902,760**	**26,451**	**26,028**	**3,252,066**
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
Equity instruments	**3,067**	**3,770**	**76,749**	**2,802**	**4,123**	**72,656**	**2,626**	**4,143**	**72,176**
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
Foreign exchange and gold	**16,971**	**15,528**	**589,705**	**12,104**	**11,471**	**533,395**	**10,952**	**11,216**	**461,898**
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
Credit	**299**	**383**	**43,450**	**236**	**490**	**19,937**	**153**	**292**	**23,411**
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	—	—	—	—	—	—
Commodities	**9**	**8**	**60**	**8**	**7**	**149**	**1**	**1**	**26**
DERIVATIVES	**39,908**	**37,909**	**4,996,495**	**30,933**	**31,705**	**4,528,897**	**40,183**	**41,680**	**3,809,577**
Of which: OTC - credit institutions	*28,385*	*26,454*	*1,205,895*	*21,069*	*22,488*	*1,073,921*	*24,432*	*27,244*	*958,017*
Of which: OTC - other financial corporations	*5,745*	*4,493*	*3,587,546*	*3,300*	*3,075*	*3,257,382*	*8,211*	*8,493*	*2,663,978*
Of which: OTC - other	*4,501*	*5,290*	*161,882*	*4,514*	*3,919*	*148,629*	*5,484*	*3,627*	*134,690*

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 (1)	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
Total	**8.1**	**6,888**	**6,086**	**5,198**

(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
ASSETS				
Debt securities	7.2.2 / 8.1	913	1,092	1,117
LIABILITIES				
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
Total liabilities	**8.1**	**10,580**	**9,683**	**10,050**

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 (1)		57,755	59,074	68,308
Loans and advances to credit institutions	7.2.2	26	27	33
Total	**8.1**	**58,980**	**60,421**	**69,440**
Of which: loss allowances of debt securities		*(121)*	*(74)*	*(97)*

(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
Listed equity instruments												
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
The United States	*43*	*—*	*—*	*44*	*29*	*—*	*—*	*29*	*27*	*—*	*—*	*27*
Mexico	*1*	*30*	*—*	*31*	*1*	*28*	*—*	*29*	*1*	*33*	*—*	*34*
Turkey	*—*	*7*	*—*	*7*	*—*	*4*	*—*	*5*	*2*	*4*	*—*	*6*
Other countries	*57*	*7*	*(8)*	*56*	*69*	*2*	*(8)*	*63*	*70*	*1*	*(17)*	*54*
Subtotal listed equity instruments	**2,336**	**44**	**(1,282)**	**1,098**	**2,333**	**35**	**(1,154)**	**1,214**	**2,282**	**38**	**(1,326)**	**995**
Unlisted equity instruments												
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
The United States	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
Mexico	*1*	*—*	*—*	*1*	*—*	*—*	*—*	*1*	*—*	*—*	*—*	*1*
Turkey	*6*	*—*	*—*	*6*	*3*	*—*	*—*	*3*	*5*	*—*	*—*	*5*
Other countries	*19*	*64*	*(2)*	*81*	*51*	*41*	*(1)*	*91*	*52*	*43*	*(1)*	*94*
Subtotal unlisted equity instruments	**31**	**71**	**(2)**	**100**	**60**	**48**	**(1)**	**107**	**62**	**44**	**(1)**	**105**
Total	**2,367**	**115**	**(1,284)**	**1,198**	**2,393**	**83**	**(1,155)**	**1,320**	**2,344**	**82**	**(1,327)**	**1,100**

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
Domestic debt securities												
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
Subtotal	**19,164**	**169**	**(555)**	**18,779**	**17,625**	**731**	**(2)**	**18,355**	**30,811**	**917**	**(17)**	**31,712**
Foreign debt securities												
Mexico	**11,566**	**3**	**(759)**	**10,810**	**11,097**	**32**	**(359)**	**10,769**	**9,107**	**291**	**(3)**	**9,395**
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
Italy	**4,568**	**53**	**(106)**	**4,515**	**7,407**	**213**	**(12)**	**7,608**	**3,897**	**367**	**—**	**4,263**
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
Japan	**2,920**	**7**	**(1)**	**2,926**	**4,961**	**7**	**—**	**4,968**	**4,551**	**1**	**(3)**	**4,549**
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	—	—	—	—
Other issuers	82	1	—	83	36	1	—	37	59	1	—	60
The United States	**5,245**	**39**	**(263)**	**5,020**	**3,900**	**44**	**(18)**	**3,926**	**4,642**	**52**	**(3)**	**4,691**
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
Turkey	**3,213**	**700**	**(56)**	**3,858**	**2,888**	**199**	**(168)**	**2,920**	**3,456**	**90**	**(73)**	**3,473**
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	—	—	—	—	—	—	—	—	—	—	—	—
Other countries	**11,928**	**194**	**(274)**	**11,848**	**10,298**	**286**	**(55)**	**10,529**	**9,892**	**372**	**(39)**	**10,225**
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
Subtotal	**39,440**	**996**	**(1,459)**	**38,977**	**40,551**	**780**	**(612)**	**40,719**	**35,545**	**1,172**	**(120)**	**36,596**
Total	**58,605**	**1,165**	**(2,014)**	**57,755**	**58,176**	**1,511**	**(614)**	**59,074**	**66,356**	**2,089**	**(137)**	**68,308**

The credit ratings of the issuers of debt securities as of December 31, 2022, 2021 and 2020 are as follows:

Debt securities by rating

	2022		2021		2020	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%	Fair value (Millions of euros)	%
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 %
Total	**57,755**	**100.0 %**	**59,074**	**100.0 %**	**68,308**	**100.0 %**

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:

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

		Debt securities			Equity instruments		
	Notes	2022	2021	2020	2022	2021	2020
Balance at the beginning		**1,274**	**2,069**	**1,760**	**(1,079)**	**(1,256)**	**(403)**
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
Balance at the end	**30**	**(562)**	**1,274**	**2,069**	**(1,194)**	**(1,079)**	**(1,256)**

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:

Financial assets at amortized cost (Millions of Euros)	Notes	2022	2021	2020
Debt securities		**43,606**	**34,781**	**35,737**
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
Loans and advances to central banks		**4,401**	**5,681**	**6,209**
Loans and advances to credit institutions		**16,031**	**13,276**	**14,575**
Reverse repurchase agreements		5,251	2,788	1,914
Other loans and advances		10,780	10,488	12,661
Loans and advances to customers	**7.2.2**	**358,023**	**318,939**	**311,147**
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
Total	**8.1**	**422,061**	**372,676**	**367,668**
Of which: impaired assets of loans and advances to customers	*7.2.2*	*13,493*	*14,657*	*14,672*
Of which: loss allowances of loans and advances	*7.2.5*	*(11,291)*	*(11,142)*	*(12,141)*
Of which: loss allowances of debt securities		*(93)*	*(52)*	*(48)*

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
Domestic debt securities												
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
Subtotal	**18,541**	**11**	**(1,348)**	**17,204**	**18,031**	**1,336**	**(13)**	**19,353**	**18,492**	**1,271**	**(7)**	**19,756**
Foreign debt securities												
Mexico	**10,743**	**—**	**—**	**10,743**	**8,464**	**182**	**(138)**	**8,508**	**7,771**	**534**	**(16)**	**8,289**
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
The United States	**2,412**	**—**	**(10)**	**2,402**	**93**	**—**	**—**	**93**	**52**	**—**	**(26)**	**26**
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
Turkey	**5,332**	**—**	**—**	**5,332**	**2,634**	**143**	**(95)**	**2,682**	**3,628**	**95**	**(25)**	**3,698**
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
Other countries	**6,578**	**44**	**(343)**	**6,280**	**5,559**	**289**	**(37)**	**5,812**	**5,795**	**505**	**(1)**	**6,299**
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
Subtotal	**25,065**	**45**	**(353)**	**24,757**	**16,750**	**614**	**(270)**	**17,094**	**17,245**	**1,134**	**(68)**	**18,311**
Total	**43,606**	**56**	**(1,701)**	**41,961**	**34,781**	**1,950**	**(284)**	**36,447**	**35,737**	**2,405**	**(75)**	**38,067**

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 %
Total	**43,606**	**100.0 %**	**34,781**	**100.0 %**	**35,737**	**100.0 %**

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
Total	**358,023**	**318,939**	**311,147**

The heading “Financial assets at amortized cost – Loans and advances to customers” in the consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage covered bonds.

The following table sets forth a breakdown of the gross carrying amount "Loans and advances to customers" with maturity greater than one year by fixed and variable rate as of December 31, 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
Total	**129,042**	**121,314**	**250,356**	**132,300**	**106,465**	**238,765**	**132,814**	**107,895**	**240,710**

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
Total	**28,784**	**30,242**	**30,098**

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
ASSETS			
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
LIABILITIES			
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
Interest rate	**656**	**376**	**697**	**322**	**989**	**525**
OTC	656	376	697	322	989	525
Organized market	—	—	—	—	—	—
Equity	**—**	**—**	**—**	**—**	**—**	**—**
OTC	—	—	—	—	—	—
Organized market	—	—	—	—	—	—
Foreign exchange and gold	**259**	**83**	**463**	**135**	**435**	**350**
OTC	259	83	463	135	435	350
Organized market	—	—	—	—	—	—
Credit	—	—	—	—	—	—
Commodities	**—**	**—**	**—**	**—**	**—**	**—**
Other			**—**	**—**	**—**	**—**
FAIR VALUE HEDGES	**915**	**459**	**1,160**	**457**	**1,424**	**874**
Interest rate	**470**	**2,763**	**228**	**1,786**	**154**	**1,055**
OTC	454	2,763	226	1,786	154	1,041
Organized market	16		2	—	—	15
Equity	—	—	—	—	—	—
Foreign exchange and gold	**239**	**46**	**180**	**79**	**225**	**55**
OTC	239	45	180	79	225	50
Organized market	—	1	—	—	—	5
Credit	—	—	—	—	—	—
Commodities	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
CASH FLOW HEDGES	**708**	**2,809**	**408**	**1,865**	**379**	**1,111**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**213**	**26**	**198**	**196**	**166**	**139**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**7**	**8**	**18**	**95**	**18**	**170**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**48**	**1**	**21**	**13**	**3**	**23**
DERIVATIVES-HEDGE ACCOUNTING	**1,891**	**3,303**	**1,805**	**2,626**	**1,991**	**2,318**
of which: OTC - credit institutions	*1,577*	*2,911*	*1,454*	*2,248*	*1,718*	*1,965*
of which: OTC - other financial corporations	*297*	*391*	*349*	*378*	*273*	*333*

Below there is a breakdown of the items covered by fair value hedges:

Hedged items in fair value hedges (Millions of Euros)

	Carrying amount		Hedge adjustments included in the carrying amount of assets/liabilities (1)		Remaining adjustments for discontinued micro hedges including hedges of net positions (1)		Hedged items in portfolio hedge of interest rate risk	
	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS								
Financial assets measured at fair value through other comprehensive income	**13,994**	**20,333**	**(1,024)**	**(52)**	**2**	**11**	**—**	**—**
Interest rate	13,602	20,285						
Foreign exchange and gold	327	—						
Other	66	49						
Financial assets measured at amortized cost	**4,838**	**8,273**	**(485)**	**168**	**13**	**5**	**1,179**	**1,997**
Interest rate	4,835	8,270						
Foreign exchange and gold	3	2						
LIABILITIES								
Financial liabilities measured at amortized costs	**34,898**	**24,567**	**1,299**	**(690)**	**—**	**—**	**—**	**—**
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
FAIR VALUE HEDGES	**2,697**	**5,629**	**31,055**	**12,944**	**52,325**
Of which: Interest rate	2,697	5,524	29,031	12,944	50,196
CASH FLOW HEDGES	**4,495**	**17,900**	**27,732**	**3,051**	**53,178**
Of which: Interest rate	4,430	17,900	25,777	2,932	51,040
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**5,292**	**4,738**	**—**	**—**	**10,031**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**87**	**27**	**1,609**	**1,067**	**2,790**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**340**	**140**	**573**	**65**	**1,118**
DERIVATIVES-HEDGE ACCOUNTING	**12,912**	**28,434**	**60,969**	**17,128**	**119,442**

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:

Hedges affected by the IBOR reform (Millions of Euros)	LIBOR USD	LIBOR GBP	Other	Total
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:

Joint ventures and associates. Breakdown by entities (Millions of Euros)			
Joint ventures	**2022**	**2021**	**2020**
Altura Markets, S.V., S.A.	42	76	77
RCI Colombia	36	40	36
Desarrollo Metropolitanos del Sur, S.L.	—	18	17
Other	22	18	19
Subtotal	**100**	**152**	**149**
Associates			
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
Subtotal	**816**	**749**	**1,288**
Total	**916**	**900**	**1,437**

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:

Joint ventures and associates. Changes in the year (Millions of Euros)	Notes	2022	2021	2020
Balance at the beginning		**900**	**1,437**	**1,488**
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)
Balance at the end		**916**	**900**	**1,437**

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			
Cost									
Balance at the beginning		**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 [(1)]		1,392	—	—	—	—	—	—	1,392
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(21)	(54)	(40)	(274)	33	(4)	—	(360)
Exchange difference and other [(2)]		171	9	150	32	—	23	193	580
Balance at the end		**6,255**	**93**	**5,833**	**1,871**	**214**	**242**	**582**	**15,089**
Accrued depreciation									
Balance at the beginning		**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
Balance at the end		**1,064**	**—**	**4,204**	**653**	**70**	**23**	**52**	**6,066**
Impairment									
Balance at the beginning		**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)
Balance at the end		**154**	**—**	**—**	**65**	**50**	**17**	**—**	**286**
Net tangible assets									
Balance at the beginning		**3,336**	**67**	**1,555**	**1,916**	**81**	**109**	**234**	**7,298**
Balance at the end		**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			
Cost									
Balance at the beginning		**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)
Balance at the end		**4,350**	**67**	**5,388**	**3,154**	**162**	**147**	**267**	**13,535**
Accrued depreciation									
Balance at the beginning		**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)
Balance at the end		**900**	**—**	**3,833**	**811**	**47**	**17**	**33**	**5,641**
Impairment									
Balance at the beginning		**149**	**—**	**—**	**274**	**26**	**34**	**—**	**483**
Additions [(1)]	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)
Balance at the end		**114**	**—**	**—**	**427**	**34**	**21**	**—**	**596**
Net tangible assets									
Balance at the beginning		**3,398**	**52**	**1,656**	**2,205**	**70**	**151**	**291**	**7,823**
Balance at the end		**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)

					Right to use asset				
	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Own use	Investment properties	Investment properties	Assets leased out under an operating lease	Total
Cost									
Balance at the beginning		**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 (1)		(925)	(31)	(366)	(294)	—	—	—	(1,616)
Transfers		(248)	(2)	(5)	(60)	25	18	—	(272)
Exchange difference and other		(595)	(2)	(426)	(127)	—	(24)	8	(1,166)
Balance at the end		**4,380**	**52**	**5,515**	**3,061**	**123**	**201**	**345**	**13,677**
Accrued depreciation									
Balance at the beginning		**1,253**	**—**	**4,344**	**370**	**11**	**15**	**74**	**6,067**
Additions	45	83	—	370	312	12	3	1	781
Additions transfer to discontinued operations (1)		24	—	20	32	—	—	—	76
Retirements		(2)	—	(248)	(10)	—	—	—	(260)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale (1)		(373)	—	(321)	(71)	—	—	—	(765)
Transfers		(42)	—	(12)	(9)	4	1	—	(58)
Exchange difference and other		(110)	—	(294)	(42)	—	(3)	(21)	(470)
Balance at the end		**833**	**—**	**3,859**	**582**	**27**	**16**	**54**	**5,371**
Impairment									
Balance at the beginning		**212**	**—**	**—**	**191**	**14**	**26**	**—**	**443**
Additions	49	18	—	26	68	12	1	—	125
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale (1)		(8)	—	—	—	—	—	—	(8)
Transfers		(68)	—	—	10	—	7	—	(51)
Exchange difference and other		(5)	—	(26)	5	—	—	—	(26)
Balance at the end		**149**	**—**	**—**	**274**	**26**	**34**	**—**	**483**
Net tangible assets									
Balance at the beginning		**4,536**	**56**	**2,007**	**2,955**	**76**	**175**	**263**	**10,068**
Balance at the end		**3,398**	**52**	**1,656**	**2,205**	**70**	**151**	**290**	**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.

As of December 31, 2022, 2021 and 2020 the amount of tangible assets under financial lease schemes on which the purchase option is expected to be exercised was not material. The main activity of the Group is carried out through a network of bank branches located geographically as shown in the following table:

Branches by geographical area (number of branches)	**2022**	**2021**	**2020**
Spain [(1)]	1,886	1,895	2,482
Mexico	1,733	1,716	1,746
South America	1,418	1,434	1,514
The United States	—	—	639
Turkey	972	1,006	1,021
Rest	31	32	30
Total	**6,040**	**6,083**	**7,432**

(1) In 2021, the variation is mainly due to the closing of rented branches after the agreement with the union representatives on the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A. (see Notes 24 and 49).

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 [(1)]**	**2021 [(2)]**	**2020**
BBVA and Spanish subsidiaries	4,285	3,873	4,294
Foreign subsidiaries	4,452	3,425	3,529
Total	**8,737**	**7,298**	**7,823**

(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 (1)	Mexico	Turkey (2)	Colombia	Chile	Other	Total
Balance as of December 31, 2019	**3,846**	**550**	**346**	**164**	**27**	**22**	**4,955**
Additions	—	—	—	—	—	—	—
Exchange difference	(22)	(72)	(92)	(21)	—	(1)	(208)
Impairment	(2,084)	—	—	—	—	(13)	(2,097)
Companies held for sale	(1,740)	—	—	—	—	—	(1,740)
Other	—	—	—	—	—	—	—
Balance as of December 31, 2020	**—**	**478**	**254**	**143**	**27**	**8**	**910**
Additions	—	—	—	—	—	—	—
Exchange difference	—	26	(102)	(9)	(3)	—	(88)
Impairment	—	—	—	—	—	(4)	(4)
Companies held for sale	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Balance as of December 31, 2021	**—**	**504**	**152**	**134**	**24**	**4**	**818**
Additions	—	—	—	—	—	—	—
Exchange difference	—	55	—	(16)	1	1	41
Impairment	—	—	—	—	—	—	—
Companies held for sale	—	—	—		—	—	—
Other	—		(152)	—	—	—	(152)
Balance as of December 31, 2022	**—**	**559**	**—**	**118**	**25**	**5**	**707**

(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 (1)	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 (1)	Decrease of 50 basis points (1)
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
Total	**1,449**	**1,379**	**1,435**

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 (1)		—	—	(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 (1)		—	—	(279)	—	—	(34)	—	—	(313)
Balance at the end		**1,396**	**1,239**	**1,202**	**56**	**140**	**233**	**1,453**	**1,379**	**1,435**

(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 %
Profit or (-) loss before tax	**10,356**		**8,399**		**3,576**	
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 (1)	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 (2)	138		80		661	
Income tax	**3,529**		**2,781**		**1,516**	
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
Income from:			
Consolidated tax group in Spain	2,222	655	259
Other Spanish entities	(462)	5	7
Foreign entities	8,596	6,587	4,982
Gains (losses) before taxes from continuing operations	**10,356**	**7,247**	**5,248**
Tax expense or income related to profit or loss from continuing operations	3,529	1,909	1,459
Effective tax rate	**34.1%**	**26.3 %**	**27.8 %**

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
Charges/credits to total equity			
Debt securities and others	701	(174)	(230)
Equity instruments	(56)	(33)	(43)
Total	**645**	**(207)**	**(273)**

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:

Tax assets and liabilities (Millions of Euros)	2022	2021	2020
Tax assets			
Current tax assets (1)	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*
Total	**16,472**	**15,850**	**16,526**
Tax liabilities			
Current tax liabilities (1)	1,415	644	545
Deferred tax liabilities	1,326	1,769	1,809
Financial Instruments	*568*	*1,124*	*908*
Other	*758*	*645*	*901*
Total	**2,742**	**2,413**	**2,355**

(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:

Deferred tax assets and liabilities. Annual variations (Millions of Euros)	2022		2021		2020	
	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities
Balance at the beginning	**14,917**	**1,769**	**15,327**	**1,809**	**15,318**	**1,928**
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	—
Balance at the end	**14,494**	**1,326**	**14,917**	**1,769**	**15,327**	**1,809**

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.

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:

Secured tax assets (Millions of Euros)			
	2022	**2021**	**2020**
Pensions	1,622	1,759	1,924
Loss allowances	7,067	7,545	7,437
Total	**8,689**	**9,304**	**9,361**

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
ASSETS			
Inventories	325	424	572
Transactions in progress	93	131	160
Accruals	1,490	730	756
Other items	706	649	1,025
Total	**2,614**	**1,934**	**2,513**
LIABILITIES			
Transactions in progress	44	48	75
Accruals	2,566	2,137	1,584
Other items [1]	2,269	1,436	1,144
Total	**4,880**	**3,621**	**2,802**

(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
ASSETS			
Foreclosures and recoveries	1,070	1,218	1,398
Other assets from tangible assets [1]	1,063	563	480
Companies held for sale [2]	40	41	84,792
Accrued amortization [3]	(93)	(112)	(89)
Impairment losses [1]	(1,057)	(650)	(594)
Total	**1,022**	**1,061**	**85,987**
LIABILITIES			
Companies held for sale [2]	—	—	75,446
Total	**—**	**—**	**75,446**

(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

CONDENSED CONSOLIDATED BALANCE SHEETS (Millions of Euros)	2021	2020
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
TOTAL ASSETS	**—**	**83,257**
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
TOTAL LIABILITIES	**—**	**74,082**
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
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**—**	**622**

Condensed consolidated income statements of companies sold in the United States

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)		
	2021 (1)	2020
Interest and other income	974	2,638
Interest expense	(53)	(429)
NET INTEREST INCOME	**921**	**2,209**
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)
GROSS INCOME	**1,132**	**2,808**
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)
NET OPERATING INCOME	**330**	**413**
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
PROFIT (LOSS) BEFORE TAX	**330**	**(1,671)**
Tax expense or income related to profit or loss	(80)	(57)
PROFIT (LOSS) AFTER TAX	**250**	**(1,729)**
Profit (loss) after tax from the sale	29	—
PROFIT (LOSS) FOR THE PERIOD	**280**	**(1,729)**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**—**	**—**
ATTRIBUTABLE TO OWNERS OF THE PARENT (2)	**280**	**(1,729)**

(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 (1)	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)
INCREASE (DECREASE) NET CASH AND CASH EQUIVALENTS (A+B+C+D)	**62**	**5,690**

(1) Corresponds to the first five months of 2021 (See Note 3).

Effects of disposal on the financial position of the Group

EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP (Millions of Euros)	June 2021
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)
Total assets	**(82,720)**
Financial liabilities held for trading	129
Financial liabilities at amortized cost	72,357
Provisions	156
Tax liabilities	207
Other liabilities	491
Total liabilities	**73,341**
Total net assets/liabilities	**(9,378)**

EFFECT ON NET CASH OUTFLOWS FROM DISCONTINUED OPERATIONS - USA (Millions of Euros)	June 2021
Consideration received satisfied in cash	9,512
Cash and cash equivalents disposed of	(11,476)
Total net cash outflows from discontinued operations - USA	**(1,964)**

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)	December 2021
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
Total cash received from non-current assets and liabilities for sale	**10,670**

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 [1]			Companies held for sale [2]			Total		
Cost (a)		**2022**	**2021**	**2020**	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
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 [2]		(6)	(127)	(228)	35	100	180	(2)	(2,100)	—	27	(2,128)	(48)
Disposals by companies held for sale		—	—	(19)	—	—	(2)			—	—	—	(21)
Balance at the end		**1,070**	**1,218**	**1,398**	**970**	**452**	**391**	**39**	**41**	**84,792**	**2,078**	**1,711**	**86,581**
Impairment (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)
Balance at the end		**356**	**381**	**386**	**701**	**269**	**208**	**—**	**—**	**—**	**1,057**	**650**	**594**
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
Demand deposits	*205*	*8*	*163*
Time deposits and other	*33,534*	*41,790*	*38,274*
Repurchase agreements	*4,584*	*5,553*	*6,740*
Deposits from credit institutions	26,935	19,834	27,629
Demand deposits	*11,434*	*7,601*	*7,196*
Time deposits and other	*11,787*	*8,599*	*16,079*
Repurchase agreements	*3,714*	*3,634*	*4,354*
Customer deposits	393,856	349,761	342,661
Demand deposits	*316,082*	*293,015*	*266,250*
Time deposits and other	*75,516*	*55,479*	*75,666*
Repurchase agreements	*2,259*	*1,267*	*746*
Debt certificates	55,429	55,763	61,780
Other financial liabilities	14,086	15,183	13,358
Total	**528,629**	**487,893**	**490,606**

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 (1)	Repurchase agreements	Total
December 2022				
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
Total	**11,434**	**11,787**	**3,714**	**26,935**
December 2021				
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
Total	**7,601**	**8,599**	**3,634**	**19,834**
December 2020				
Spain	345	1,405	1	1,751
Mexico	689	672	188	1,549
Turkey	8	580	28	617
South America	557	1,484	—	2,041
Rest of Europe	2,842	4,531	4,070	11,444
Rest of the world	2,755	7,406	67	10,228
Total	**7,196**	**16,079**	**4,354**	**27,629**

(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:

Customer deposits (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
December 2022				
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
Total	**316,082**	**75,516**	**2,259**	**393,856**
December 2021				
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
Total	**293,015**	**55,479**	**1,267**	**349,761**
December 2020				
Spain	168,690	20,065	2	188,757
Mexico	43,768	10,514	117	54,398
Turkey	17,906	16,707	8	34,621
South America	25,730	11,259	—	36,989
Rest of Europe	8,435	12,373	619	21,427
Rest of the world	1,720	4,748	—	6,468
Total	**266,250**	**75,666**	**746**	**342,661**

22.4 Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

Debt certificates (Millions of Euros)

	2022	2021	2020
In Euros	**35,611**	**36,289**	**42,462**
Promissory bills and notes	1,079	319	860
Non-convertible bonds and debentures	16,979	15,712	14,538
Covered bonds (1)	7,665	9,930	13,274
Hybrid financial instruments (2)	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
In foreign currencies	**19,819**	**19,475**	**19,318**
Promissory bills and notes	351	579	1,024
Non-convertible bonds and debentures	9,323	7,885	8,691
Covered bonds (1)	114	178	217
Hybrid financial instruments (2)	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
Total	**55,429**	**55,763**	**61,780**

(1) Including mortgage-covered bonds (see Appendix X). 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:

Memorandum item: Subordinated liabilities at amortized cost (Millions of Euros)

	2022	2021	2020
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*
Total	**12,509**	**14,808**	**16,488**

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.

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 (1)	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 (2)	5,673	6,127	5,000
Total	**14,086**	**15,183**	**13,358**

(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 and Management Report - Risk), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments.

Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each 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 (1)	*8,682*	*7,265*	*6,268*
Group insurance (2)	*1,714*	*2,230*	*2,463*
Provision for unpaid claims reported	612	706	672
Provisions for unexpired risks and other provisions	839	664	548
Total	**11,848**	**10,865**	**9,951**

(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 modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modelling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 96% of the insurance revenues), where the modelling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modelling methods and techniques used to calculate the mathematical reserves for the insurance products are compliant with IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions as of December 31, 2022, 2021 and 2020 used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

Mathematical reserves												
	2022				**2021**				**2020**			
	Mortality table		**Average technical interest rate**		**Mortality table**		**Average technical interest rate**		**Mortality table**		**Average technical interest rate**	
	Spain	**Mexico**	**Spain**	**Mexico**	**Spain**	**Mexico**	**Spain**	**Mexico**	**Spain**	**Mexico**	**Spain**	**Mexico**
Individual life insurance (1)	GRMF 80-2, GKM 80 / GKMF 95, PASEM, GKMF 80/95, PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual Table of CNSF M 2013	0.25%-2.85%	4.30%	GRMF 80-2, GKM 80 / GKMF 95, PASEM, GKMF 80/95, PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.24%-2.85%	3.60 %	GRMF 80-2, GKM 80 / GKMF 95, PASEM, GKMF 80/95, PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.25%-2.87%	2.50 %
Group insurance (2)	PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%	PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50 %	PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50 %

(1) Provides coverage in the case of one or more of the following events: death, disability and / or serious illness.
(2) Insurance policies purchased by companies (other than BBVA Group entities) on behalf of their employees.

24. Provisions

The breakdown of the balance under this heading in the consolidated balance sheets, based on type of provisions, is as follows:

Provisions. Breakdown by concepts (Millions of Euros)

	Notes	2022	2021	2020
Provisions for pensions and similar obligations (1)	25	2,632	3,576	4,272
Other long term employee benefits (2)	25	466	632	49
Provisions for taxes and other legal contingencies	7.1	685	623	612
Provisions for contingent risks and commitments		770	691	728
Other provisions (3)		380	366	479
Total		**4,933**	**5,889**	**6,141**

(1) The variation is mainly due to the lower valuation of defined benefit commitments after the interest rate hike in Spain and benefit payments.
(2) The variation is mainly explained by the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A. in 2021.
(3) Individually non-significant provisions, for various concepts and corresponding to different geographical areas.

The change in provisions for pensions and similar obligations for the years ended December 31, 2022, 2021 and 2020 is as follows:

Provisions for pensions, other post-employment obligations for defined benefit plans, and other long term employee benefits. Changes over the year (Millions of Euros)

	Notes	2022	2021	2020
Balance at the beginning		**3,576**	**4,272**	**4,631**
Charges to income for the year		26	141	298
Interest expense and similar charges		*75*	*37*	*44*
Personnel expense	*44.1*	*43*	*49*	*49*
Provision expense		*(92)*	*56*	*205*
Charges (credits) to equity (1)	25	(433)	(206)	191
Transfers and other changes (2)		23	(21)	(71)
Benefit payments	25	(492)	(608)	(654)
Employer contributions	25	(67)	(4)	(124)
Balance at the end		**2,632**	**3,576**	**4,272**

(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).

Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)

	2022	2021	2020
Balance at beginning	**990**	**1,091**	**1,134**
Additions (1)	417	1,175	555
Acquisition of subsidiaries	—	—	—
Unused amounts reversed during the year	(130)	(227)	(215)
Amount used and other variations (1)	(211)	(1,050)	(383)
Balance at the end	**1,065**	**990**	**1,091**

(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:

Net defined benefit liability (asset) on the consolidated balance sheet (Millions of Euros)

	Notes	2022	2021	2020
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
Total commitments		**6,181**	**7,180**	**7,398**
Pension plan assets		1,608	1,494	1,608
Medical benefit plan assets		1,476	1,494	1,484
Total plan assets (1)		**3,084**	**2,988**	**3,092**
Total net liability / asset		**3,097**	**4,193**	**4,305**
Of which: Net asset on the consolidated balance sheet (2)		*(1)*	*(15)*	*(16)*
Of which: Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (3)	*24*	*2,632*	*3,576*	*4,272*
Of which: Net liability on the consolidated balance sheet for other long term employee benefits (4)	*24*	*466*	*632*	*49*

(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:

Consolidated income statement impact (Millions of Euros)

	Notes	2022	2021	2020
Interest and other expense		**75**	**37**	**44**
Interest expense		342	257	265
Interest income		(267)	(220)	(220)
Personnel expense		**130**	**120**	**121**
Defined contribution plan expense	44.1	87	71	72
Defined benefit plan expense	44.1	43	49	49
Provisions or (reversal) of provisions	**46**	**(89)**	**61**	**210**
Early retirement expense		—	100	224
Past service cost expense		34	(28)	(8)
Remeasurements [1]		(126)	(16)	(11)
Other provision expense		3	6	4
Total impact on consolidated income statement: expense (income)		**116**	**218**	**375**

(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:

Equity impact (Millions of Euros)

	2022	2021	2020
Defined benefit plans	(363)	52	161
Post-employment medical benefits	(71)	(257)	30
Total impact on equity: debit (credit)	**(433)**	**(206)**	**191**

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:

Defined benefits (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	**6,547**	**2,988**	**3,560**	**7,348**	**3,092**	**4,256**	**8,116**	**3,493**	**4,622**
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 (1)	34	—	34	75	—	75	219	—	219
Remeasurements:	(741)	(240)	(501)	(406)	(184)	(223)	364	176	187
Return on plan assets (2)	*—*	*(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 (3)	—	—	—	(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
Balance at the end	**5,715**	**3,084**	**2,631**	**6,547**	**2,988**	**3,560**	**7,348**	**3,092**	**4,256**
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 in 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 guarantee the good governance of these plans, the Group has established specific benefits committees. These benefit committees include members from the different areas of the business to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as of December 31, 2022, 2021 and 2020:

Actuarial assumptions (%)

	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:

Sensitivity analysis (Millions of Euros)

	Basis points change	2022		2021		2020	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate	50	(321)	350	(282)	307	(354)	390
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:

Post-employment commitments 2022 (Millions of Euros)	Spain	Mexico	Turkey	Rest of the world
Defined benefit obligation				
Balance at the beginning	**3,670**	**779**	**272**	**449**
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 (1)	—	1	2	3
Remeasurements:	(677)	107	166	(122)
Return on plan assets (2)	*—*	*—*	*—*	*—*
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	—	—	—
Balance at the end	**2,546**	**985**	**418**	**318**
Of which: Vested benefit obligation relating to current employees	*2,491*			
Of which: Vested benefit obligation relating to retired employees	*55*			
Plan Assets				
Balance at the beginning	**206**	**655**	**209**	**424**
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 (1)	—	—	—	—
Remeasurements:	(34)	(45)	104	(121)
Return on plan assets (2)	*(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	—	—	—	—
Balance at the end	**147**	**853**	**315**	**293**
Net liability (asset)				
Balance at the beginning	**3,464**	**124**	**63**	**24**
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 (1)	—	1	2	3
Remeasurements:	(643)	152	62	(1)
Return on plan assets (2)	*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	—	—	—
Balance at the end	**2,399**	**132**	**103**	**25**

(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:

Post-employment commitments (Millions of Euros)

	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
Balance at the beginning	**4,039**	**28**	**85**	**27**	**4,326**	**72**	**52**	**86**	**38**
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 (1)	75	—	2	2	224	(1)	—	2	3
Remeasurements:	(98)	128	10	(5)	95	62	(4)	18	(14)
Return on plan assets (2)	*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	—	—	—	—
Balance at the end	**3,464**	**124**	**63**	**24**	**4,039**	**28**	**—**	**85**	**27**

(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 to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In 2008, the Turkish government passed a law to unify the different existing pension systems under a single umbrella Social Security system. Such system provides for the transfer of the various previously established funds. The financial sector is in this *stage* at present, maintaining these pension commitments managed by external pension funds (foundations) established for that purpose.

The foundation that maintains the assets and liabilities relating to employees of Garanti BBVA in Turkey, as per the local regulatory requirements, has registered an obligation amounting to €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 (1)	28	—	28	(5)	—	(5)	(8)	—	(8)
Remeasurements:	(215)	(144)	(71)	(377)	(119)	(257)	95	66	30
Return on plan assets (2)	*—*	*(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:

Plan assets breakdown (Millions of Euros)

	2022	2021	2020
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
Total	**2,622**	**2,566**	**2,887**
Of which: Bank account in BBVA	*7*	*3*	*4*
Of which: Debt securities issued by BBVA	—	—	—
Of which: Property occupied by BBVA	—	—	—

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2022, 2021 and 2020:

Investments in listed markets (Millions of Euros)

	2022	2021	2020
Cash or cash equivalents	169	24	38
Debt securities (Government bonds)	2,270	2,394	2,707
Mutual funds	—	1	1
Total	**2,439**	**2,418**	**2,747**
Of which: Bank account in BBVA	*7*	*3*	*4*
Of which: Debt securities issued by BBVA	—	—	—
Of which: Property occupied by BBVA	—	—	—

The remainder of the assets are mainly invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 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 S*istema de Interconexión Bursátil Español* (*Mercado Continuo*), as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange under the ticker "BBVA".

Additionally, as of December 31, 2022, the shares of Banco BBVA Peru, S.A., BBVA Banco Provincial, S.A., Banco BBVA Colombia, S.A., Banco BBVA Argentina, S.A., and Garanti BBVA A.S., were listed on their respective local stock markets. Banco BBVA Argentina, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange. Also, the Depositary Receipts ("DR") of Garanti BBVA, A.S. are listed in the London Stock Exchange. BBVA is also currently included, amongst other indexes, in the IBEX 35® Index, which is made up by the 35 most liquid securities traded on the Spanish Market and, technically, it is a price index that is weighted by capitalization and adjusted according to the free float of each company comprised in the index.

As of December 31, 2022, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 14.88%, 2.12%, and 6.84% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On April 18, 2019, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it had an indirect holding of BBVA common stock totaling 5.917%, of which 5.480% are voting rights attributed to shares and 0.437% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. Furthermore, BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known to BBVA that could give rise to changes in the control of the Bank.

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 (1)	3,906	3,994	8,117
Total reserves holding company (2)	**4,979**	**5,409**	**8,890**
Consolidation reserves attributed to the Bank and subsidiary consolidated companies	29,902	24,575	21,454
Total	**34,881**	**29,984**	**30,344**

(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).
(2) Total reserves of BBVA, S.A. (See Appendix IX).

28.2 Legal reserve

Under the amended Spanish Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

28.3 Restricted reserves

As of December 31, 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 (1)	400	88	88
Restricted reserve for Parent Company shares and loans for those shares (2)	80	672	30
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**482**	**761**	**120**

(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 includes the reserve corresponding to the share capital reduction in 2022.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the parent company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the parent company common stock in euros.

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:

Retained earnings, revaluation reserves and other reserves. Breakdown by company or corporate group (Millions of Euros)

	2022	2021	2020
Retained earnings (losses), revaluation reserves and other reserves			
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
Subtotal [(1)]	**35,102**	**30,231**	**30,508**
Other reserves or accumulated losses of investments in joint ventures and associates			
Atom Holdco Limited	(169)	(158)	(91)
Metrovacesa, S.A.	(84)	(84)	(84)
Other	32	(5)	11
Subtotal	**(221)**	**(247)**	**(164)**
Total	**34,881**	**29,984**	**30,344**

(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:

Treasury shares (Millions of Euros)

	2022		2021		2020	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
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	—	—	—	—	—	—
Balance at the end	**5,485,414**	**29**	**127,633,399**	**647**	**14,352,832**	**46**
Of which:						
Held by BBVA, S.A.	*—*	*3*	*112,733,730*	*574*	*592,832*	*9*
Held by Corporación General Financiera, S.A.	*5,454,516*	*26*	*14,899,669*	*72*	*13,760,000*	*37*
Held by other subsidiaries	*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

Accumulated other comprehensive income (loss). Breakdown by concepts (Millions of Euros)

	Notes	2022	2021	2020
Items that will not be reclassified to profit or loss		**(1,881)**	**(2,075)**	**(2,815)**
Actuarial gains (losses) on defined benefit pension plans		(760)	(998)	(1,474)
Non-current assets and disposal groups classified as held for sale		—	—	(65)
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)
Items that may be reclassified to profit or loss		**(15,550)**	**(14,401)**	**(11,541)**
Hedge of net investments in foreign operations (effective portion)		(1,408)	(146)	(62)
Mexican peso		*(1,751)*	*(681)*	*(362)*
Turkish lira		*358*	*555*	*317*
Other exchanges		*(15)*	*(19)*	*(18)*
Foreign currency translation		(13,103)	(14,988)	(14,185)
Mexican peso		*(2,813)*	*(4,503)*	*(5,220)*
Turkish lira		*(6,601)*	*(6,607)*	*(4,960)*
Argentine peso		*(869)*	*(1,024)*	*(1,247)*
Venezuela Bolívar		*(1,850)*	*(1,858)*	*(1,860)*
Other exchanges		*(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 (1)		—	—	644
Share of other recognized income and expense of investments in joint ventures and associates		(18)	(9)	(17)
Total		**(17,432)**	**(16,476)**	**(14,356)**

(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 interest (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:

Non-controlling interests. Breakdown by subgroups (Millions of Euros)			
	2022	2021	2020
Garanti BBVA [(1)]	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
Total	**3,624**	**4,853**	**5,471**

(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:

Profit attributable to non-controlling interests. Breakdown by subgroups (Millions of Euros)			
	2022	2021	2020
Garanti BBVA [(1)]	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
Total	**407**	**965**	**756**

(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 fully-loaded 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, the fully-loaded 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:

Eligible capital resources (Millions of Euros)	Notes	2022 (1)	2021	2020
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)	—
Total equity		**64,422**	**60,384**	**58,904**
Accumulated other comprehensive income (loss)	30	(17,432)	(16,476)	(14,356)
Non-controlling interest	31	3,624	4,853	5,472
Shareholders' equity		**50,615**	**48,760**	**50,020**
Goodwill and other intangible assets		(1,395)	(1,484)	(3,775)
Deductions		**(1,395)**	**(1,484)**	**(3,775)**
Differences from solvency and accounting perimeter		(123)	(130)	(186)
Equity not eligible at solvency level		**(123)**	**(130)**	**(186)**
Other adjustments and deductions (2)		**(6,357)**	**(7,197)**	**(3,128)**
Common Equity Tier 1 (CET 1)		**42,740**	**39,949**	**42,931**
Additional Tier 1 before Regulatory Adjustments		**5,193**	**5,737**	**6,666**
Total Regulatory Adjustments to Additional Tier 1		**—**	**—**	**—**
Tier 1		**47,933**	**45,686**	**49,597**
Tier 2		**5,930**	**7,383**	**8,548**
Total Capital (Total Capital=Tier 1 + Tier 2)		**53,863**	**53,069**	**58,145**
Total Minimum equity required		**43,115**	**39,275**	**45,042**

(1) Provisional data.

(2) 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:

Amount of capital CC1 (Millions of Euros)

	2022 (1)	2021	2020
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
Common Equity Tier I (CET1) before other regulatory adjustments	**46,962**	**45,784**	**47,726**
Goodwill and intangible assets	(1,395)	(1,484)	(3,455)
Direct, indirect and synthetic holdings in own Common Equity Tier I instruments (2)	(356)	(2,800)	(366)
Deferred tax assets	(1,057)	(1,009)	(1,478)
Other deductions and filters	(1,414)	(542)	504
Total common equity Tier 1 regulatory adjustments	**(4,222)**	**(5,835)**	**(4,795)**
Common equity TIER 1 (CET1)	**42,740**	**39,949**	**42,931**
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
Additional Tier 1 (CET 1) before regulatory adjustments	**5,193**	**5,737**	**6,666**
Transitional CET 1 adjustments	—	—	—
Total regulatory adjustments to additional Tier 1	**—**	**—**	**—**
Additional Tier 1 (AT1)	**5,193**	**5,737**	**6,666**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**47,933**	**45,686**	**49,597**
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
Tier 2 before regulatory adjustments	**6,033**	**7,562**	**8,554**
Tier 2 regulatory adjustments	**(103)**	**(179)**	**(6)**
Tier 2	**5,930**	**7,383**	**8,547**
Total capital (Total capital=Tier 1 + Tier 2)	**53,863**	**53,069**	**58,145**
Total RWA	**337,102**	**307,795**	**353,273**
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) Provisional data.

(2) 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 fully-loaded ratios include the effect of the corporate transactions carried out during the year, with a combined impact of -38 basis points of CET1. These operations 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 partial reversion of the share buyback program, as well as the offsetting in equity of the effects of hyperinflation on earnings. Excluding these impacts during the year, the organic generation of profits, 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 market evolution as well as the supervisory effects.

Fully-loaded risk-weighted assets (RWAs) increased by approximately €30,000 million, mainly as a result of organic generation and the supervisory effects abovementioned.

The fully-loaded 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 fully-loaded 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 fully-loaded 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 (1)	2021	2020
Tier 1 (millions of Euros) (a)	47,933	45,686	49,597
Exposure to leverage ratio (millions of Euros) (b)	738,413	671,789	741,095
Leverage ratio (a)/(b) (percentage)	6.49 %	6.80 %	6.69 %

(1) Provisional data.

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 to ensure that both BBVA and the Group have the necessary capital at any given time to develop the corporate strategy reflected in the Strategic Plan, in line with the risk profile set out in the Group Risk Appetite Framework.

In this regard, BBVA's capital management is also part of the most relevant forward-looking strategic decisions in the Group's management and monitoring, which include the Annual Budget and the Liquidity and Funding Plan, with which it is coordinated — all with the aim of achieving the Group's overall strategy.

Capital must be allocated optimally in order to meet the need to preserve the solvency of BBVA and the Group at all times. Together with the Group's solvency risk profile included in the Risk Appetite Framework (RAF), this optimal allocation serves as a guide for the Group's capital management and seeks a solid capital position that makes it possible to:

- Anticipate ordinary and extraordinary consumption that may occur, even under stress;
- Promote the development of the Group's business and align it with capital and profitability objectives by allocating resources appropriately and efficiently;
- Cover all risks—including potential risks—to which it is exposed;
- Comply with regulatory and internal management requirements at all times; and

- Remunerate BBVA shareholders in accordance with the Shareholder Remuneration Policy in force at any given time.

The areas involved in capital management in the Group shall follow and respect the following principles in their respective areas of responsibility:

- Ensuring that capital management is integrated and consistent with the Group's Strategic Plan, RAF, Annual Budget and other strategic-prospective processes, to help achieve the Group's long-term sustainability.

- Taking into account both the applicable regulatory and supervisory requirements and the risks to which the Group is—or may be—exposed when conducting its business (economic vision), when establishing a target capital level, all while adopting a forward-looking vision that takes adverse scenarios into consideration.

- Carrying out efficient capital allocation that promotes good business development, ensuring that expectations for the evolution of activity meet the strategic objectives of the Group and anticipating the ordinary and extraordinary consumption that may occur.

- Ensuring compliance with the solvency levels, including the minimum requirement for own funds and eligible liabilities (MREL), required at any given time.

- Compensating BBVA shareholders in an adequate and sustainable manner.

- Optimizing the cost of all instruments used for the purpose of meeting the target capital level at any given time

To achieve the aforementioned principles, capital management will be based on the following essential elements:

- An adequate governance and management scheme, both at the corporate body level and at the executive level.

- Planning, managing and monitoring capital properly, using the measurement systems, tools, structures, resources and quality data necessary to do so.

- A set of metrics, which is duly updated, to facilitate the tracking of the capital situation and to identify any relevant deviations from the target capital level.

- A transparent, correct, consistent and timely communication and dissemination of capital information outside the Group.

- An internal regulatory body, which is duly updated, including with respect to the regulations and procedures that, ensure adequate capital management.

33. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)

	Notes	2022	2021	2020
Loan commitments given	**7.2.2**	**136,920**	**119,618**	**132,584**
Of which: impaired		*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
Financial guarantees given	**7.2.2**	**16,511**	**11,720**	**10,665**
Of which: impaired (1)		*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
Other commitments given	**7.2.2**	**39,137**	**34,604**	**36,190**
Of which: impaired (1)		*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
Total	**7.2.2**	**192,568**	**165,941**	**179,440**

(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
Total	**367,100**	**370,385**	**372,766**

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 (1)	501	686	542
Total	**31,432**	**23,015**	**22,389**

(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:

Interest expense. Breakdown by origin (Millions of Euros)

	2022	2021	2020
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
Total	**12,279**	**8,329**	**7,797**

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:

Dividend income (Millions of Euros)

	2022	2021	2020
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
Total	**123**	**176**	**137**

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:

Fee and commission income. Breakdown by origin (Millions of Euros)

	2022	2021	2020
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
Total	**8,261**	**6,997**	**5,980**

The breakdown of fee and commission expense under these heading in the consolidated income statements is as follows:

Fee and commission expense. Breakdown by origin (Millions of Euros)

	2022	2021	2020
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
Total	**2,907**	**2,232**	**1,857**

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:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net (Millions of Euros)

	2022	2021	2020
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	64	134	139
Financial assets at amortized cost	*8*	*27*	*106*
Other financial assets and liabilities	*56*	*106*	*33*
Gains (losses) on financial assets and liabilities held for trading, net	562	341	777
Reclassification of financial assets from fair value through other comprehensive income	—	—	—
Reclassification of financial assets from amortized cost	—	—	—
Other gains (losses)	562	341	777
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(67)	432	208
Reclassification of financial assets from fair value through other comprehensive income	—	—	—
Reclassification of financial assets from amortized cost	—	—	—
Other gains (losses)	(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
Subtotal gains (losses) on financial assets and liabilities	**663**	**1,027**	**1,187**
Exchange differences, net	1,275	883	359
Total	**1,938**	**1,910**	**1,546**

The breakdown of the balance (excluding exchange rate differences) under this heading in the income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	2022	2021	2020
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
Total	**663**	**1,027**	**1,187**

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:

Derivatives - Hedge accounting (Millions of Euros)			
	2022	2021	2020
Derivatives			
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
Subtotal	**1,406**	**(1,651)**	**270**
Hedging derivatives ineffectiveness			
Fair value hedges	(51)	(235)	5
Hedging derivative	*(229)*	*90*	*(151)*
Hedged item	*178*	*(325)*	*156*
Cash flow hedges	6	21	2
Subtotal	**(45)**	**(214)**	**7**
Total	**1,361**	**(1,866)**	**277**

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:

Other operating income (Millions of Euros)			
	2022	2021	2020
Gains from sales of non-financial services	284	301	244
Other operating income	244	360	248
Total	**528**	**661**	**492**

The breakdown of the balance under the heading "Other operating expense" in the consolidated income statements is as follows:

Other operating expense (Millions of Euros)			
	2022	2021	2020
Change in inventories	134	151	124
Contributions to guaranteed banks deposits funds	997	829	800
Hyperinflation adjustment (1)	1,687	585	348
Other operating expense	620	475	390
Total	**3,438**	**2,041**	**1,662**

(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:

Income and expense from insurance and reinsurance contracts (Millions of Euros)			
	2022	2021	2020
Income from insurance and reinsurance contracts	3,103	2,593	2,497
Expense from insurance and reinsurance contracts	(1,892)	(1,685)	(1,520)
Total	**1,212**	**908**	**977**

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
Individual	*585*	*583*	*439*
Group insurance	*79*	*39*	*59*
Non-Life insurance	547	286	480
Home insurance	*—*	*—*	*91*
Other non-life insurance products	*547*	*286*	*389*
Total	**1,212**	**908**	**977**

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
Total		**5,612**	**5,046**	**4,695**

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:

Other administrative expense. Breakdown by main concepts (Millions of Euros)

	2022	2021	2020
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
Total	**3,820**	**3,249**	**3,105**

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:

Depreciation and amortization (Millions of Euros)

	Notes	2022	2021	2020
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
Total		**1,328**	**1,234**	**1,288**

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:

Provisions or reversal of provisions (Millions of Euros)				
	Notes	2022	2021	2020
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 (1)		84	814	136
Total		**291**	**1,018**	**746**

(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 (1)		3,303	3,017	5,160
Of which: recovery of written-off assets by cash collection	*7.2.5*	*(390)*	*(423)*	*(339)*
Total		**3,379**	**3,034**	**5,179**

(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 (1)	17	(53)	161	125
Intangible assets		25	19	19
Others		55	41	9
Total		**27**	**221**	**153**

(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 (1)	21	(221)	(97)	(103)
Gains (losses) on sale of investments classified as non-current assets held for sale (2)		11	10	431
Gains on sale of equity instruments classified as non-current assets held for sale		—	8	—
Total		**(108)**	**(40)**	**444**

(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 from financing activities (Millions of Euros)	Liabilities at amortized cost: Debt certificates			Of which: Issuances of subordinated liabilities (1)		
	2022	2021	2020	2022	2021	2020
Balance at the beginning	**55,763**	**61,780**	**63,963**	**14,794**	**17,248**	**17,675**
Cash flows	(678)	(5,728)	3,003	(1,945)	(1,941)	(8)
Non-cash changes	344	(289)	(5,186)	(364)	(513)	(419)
Acquisition	—	—	—	—	—	—
Disposal	—	—	—	—	*(772)*	—
Disposals by companies held for sale (2)	—	—	*(3,160)*	—	—	—
Foreign exchange movement	*344*	*(289)*	*(2,026)*	*(364)*	*259*	*(419)*
Fair value changes		—	—		—	—
Balance at the end	**55,429**	**55,763**	**61,780**	**12,485**	**14,794**	**17,248**

(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:

Fees for Audits conducted and other related services (1) (Millions of Euros)

	2022
Audits of the companies audited by firms belonging to the EY worldwide organization and other reports related with the audit (2)	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:

Other Services rendered (Millions of Euros)

	2022
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:

Fees for audits conducted (1) (Millions of Euros)

	2022
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:

Balances arising from transactions with entities of the Group (Millions of Euros)

	2022	2021	2020
Assets			
Loans and advances to credit institutions	9	9	148
Loans and advances to customers	1,842	2,031	1,743
Debt securities	7	7	—
Liabilities			
Deposits from credit institutions	1	1	—
Customer deposits	204	296	791
Memorandum accounts			
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:

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)

	2022	2021	2020
Income statement			
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 31st December of each year (thousands of Euros)

	2022				2021				2020			
	Directors	Related parties of Directors	Senior Management (1)	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management (1)	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management (1)	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 (1)	Total	
									2022	2021
José Miguel Andrés Torrecillas	129	167	66			115		50	527	527
Jaime Caruana Lacorte	129	167	165	107					567	567
Raúl Galamba de Oliveira	129			107			43	53	332	278
Belén Garijo López	129		66		107	46			349	349
Connie Hedegaard (2)	107								107	0
Sunir Kumar Kapoor (3)	32						11		43	172
Lourdes Máiz Carro	129		66		43				238	238
José Maldonado Ramos	129	167				46			342	342
Ana Peralta Moreno	129		66		43				238	238
Juan Pi Llorens	129			214		46	43	27	458	512
Ana Revenga Shanklin	129			107			29		264	236
Susana Rodríguez Vidarte	129	167		107		46			449	449
Carlos Salazar Lomelín	129				43				172	172
Jan Verplancke	129				43		43		214	214
Total (4)	**1,684**	**667**	**431**	**642**	**278**	**301**	**168**	**130**	**4,300**	**4,293**

(1) Amounts perceived in 2022 and 2021 by José Miguel Andrés Torrecillas, as Deputy Chair of the Board, Juan Pi Llorens, as Lead Director (until 28 April 2022) and Raúl Galamba de Oliveira (from its appointment as Lead Director on 28 April 2022).
(2) Director appointed by the General Meeting held on 18 March 2022. Remuneration received based on date of acceptance of office.
(3) Director who left office on 18 March 2022. Remuneration for the term of office in 2022.
(4) Includes amounts corresponding to membership of the Board and its various committees during the 2022 and 2021 financial year.

In addition, in financial years 2022 and 2021, Carlos Salazar Lomelín received €90 thousand and €101 thousand, respectively, as per diems for his membership of the management body of BBVA México, S.A. and Grupo Financiero BBVA México, S.A. de C.V. and the BBVA México strategy forum.

Also, during the 2022 and 2021 financial years, €110 thousand and €102 thousand was paid out, respectively, in healthcare and casualty insurance premiums for non-executive directors.

Remuneration system with deferred delivery of shares for non-executive directors

BBVA has a fixed remuneration system with deferred delivery of shares for its non-executive directors, which was approved by the General Meeting held on 18 March 2006 and extended by resolutions of the General Meetings held on 11 March 2011 and 11 March 2016 for a further five-year period in each case, and by the General Meeting held on 20 April 2021 for a further three-year period.

This system is based on the annual allocation to non-executive directors of a number of theoretical shares of BBVA equivalent to 20% of the total annual fixed allowance in cash received by each director in the previous financial year, calculated according to the average closing price of the BBVA share during the 60 trading sessions prior to the dates of the Annual General Meetings approving the corresponding financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for any reason other than serious dereliction of their duties.

During the financial years 2022 and 2021, the following " theoretical shares" derived from the remuneration system with deferred delivery of shares have been allocated to the non-executive directors, in an amount equivalent to 20% of the total annual fixed cash allocation received by each of them in the financial years 2021 and 2020, respectively:

	2022		2021	
	Theoretical shares allocated	**Theoretical shares accumulated as of December 31**	**Theoretical shares allocated**	**Theoretical shares accumulated as of December 31**
José Miguel Andrés Torrecillas	19,253	118,025	22,860	98,772
Jaime Caruana Lacorte	20,733	77,705	25,585	56,972
Raúl Galamba de Oliveira	10,177	19,677	9,500	9,500
Belén Garijo López	12,741	90,589	15,722	77,848
Connie Hedegaard (1)	0	0	0	0
Sunir Kumar Kapoor (2)	6,270	0	7,737	30,652
Lourdes Máiz Carro	8,696	64,356	10,731	55,660
José Maldonado Ramos	12,493	136,477	15,416	123,984
Ana Peralta Moreno	8,696	35,092	10,731	26,396
Juan Pi Llorens	18,703	134,599	23,079	115,896
Ana Revenga Shanklin	8,611	16,179	7,568	7,568
Susana Rodríguez Vidarte	16,400	177,775	20,237	161,375
Carlos Salazar Lomelín	6,270	11,912	5,642	5,642
Jan Verplancke	7,835	29,251	9,024	21,416
Total (3)	**156,878**	**911,637**	**183,832**	**791,681**

(1) Director appointed by the General Meeting held on 18 March 2022, therefore the allocation of theoretical shares is not due until 2023.

(2) Director who left office on 18 March 2022. In application of the system, he received a total of 36,922 BBVA shares after leaving office, which is equivalent to the total of theoretical shares accumulated up to that date.

(3) The number of theoretical shares allocated in 2022 and 2021 to each non-executive director is equivalent to 20% of the total fixed annual cash allocation received in 2021 and 2020, respectively, based on the average of the closing prices of BBVA shares during the 60 trading sessions prior to the General Meetings of 18 March 2022 and 20 April 2021, which were €5.47 and €4.44 per share, respectively.

Remuneration received by executive directors

The remuneration of executive directors for the financial years 2022 and 2021 in application of the BBVA Directors' Remuneration Policy approved by the General Meeting of 20 April 2021 is shown below, individually and by remuneration item:

Annual Fixed Remuneration (thousands of Euros)

	2022	**2021**
Chair	2,924	2,924
Chief Executive Officer	2,179	2,179
Total	**5,103**	**5,103**

In addition, in accordance with the conditions established in the BBVA Directors' Remuneration Policy, during the 2022 and 2021 financial years, the Chief Executive Officer received €654 thousand each year as "cash in lieu of pension" (equivalent to 30% of his Annual Fixed Remuneration) as he does not have a retirement pension (see the "Pension commitments with executive directors" section of this Note), and €600 thousand as mobility allowance.

Remuneration in kind (thousands of Euros)

Furthermore, during the financial years 2022 and 2021, remuneration in kind was paid to executive directors, including insurance and other premiums, amounting to €283 thousand and €328 thousand in the case of the Chair, and €155 thousand and €158 thousand in the case of the Chief Executive Officer, respectively.

Annual Variable Remuneration (AVR)

	2022 (2)		2021 (1)	
	In cash (thousands of Euros)	**In shares**	**In cash (thousands of Euros)**	**In shares**
Chair	926	158,169	849	159,235
Chief Executive Officer	712	121,646	645	120,977
Total	**1,639**	**279,815**	**1,494**	**280,212**

(1) Remuneration corresponding to the initial portion (40%) of the Annual Variable Remuneration for the financial year 2021 paid in 2022. The Annual Variable Remuneration for the financial year 2021 is subject to the deferral, vesting and payment rules and the other conditions applicable to Annual Variable Remuneration set out in the BBVA Directors' Remuneration Policy.

(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

		2022 (2)		2021 (1)	
	Deferred AVR	**In cash (thousands of Euros)**	**In shares**	**In cash (thousands of Euros)**	**In shares**
Chair	2021	215	57,325	—	—
	2020	0	0	—	—
	2019	513	136,587	—	—
	2018	128	35,795	364	107,386
	2017	154	27,898	146	27,898
Subtotal		**1,011**	**257,605**	**510**	**135,284**
Chief Executive Officer	2021	164	43,552	—	—
	2020	0	0	—	—
	2019	460	122,572	—	—
	2018	—	—	332	61,282
	2017	—	—	—	—
Subtotal		**624**	**166,124**	**332**	**61,282**
Total		**1,635**	**423,729**	**842**	**196,566**

(1) Deferred remuneration from previous financial years to be awarded after 2021 year-end. Award to the Chair and the Chief Executive Officer took place in 2022, in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 Deferred AVR: in 2022, the first payment was made (60% of the Deferred Portion) in the case of the Chair and the full payment in the case of the Chief Executive Officer, including in both cases the update of their portion in cash. This remuneration is associated with their previous positions as Chief Executive Officer and President & CEO of BBVA USA, respectively.

- 2017 Deferred AVR: in 2022, the Chair was paid the second payment (20% of the Deferred Portion), including the update of his portion in cash. This remuneration is associated with his former position as Chief Executive Officer.

(2) Deferred remuneration from previous years to be awarded after 2022 year-end. Award to the Chair and/or Chief Executive Officer will take place in 2023 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: corresponding to the first payment (20% of the Deferred Portion) to the executive directors, including the update of their portion in cash. Thereafter, 80% of the 2021 Deferred AVR will be deferred for both executive directors and, if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.

- 2019 Deferred AVR: corresponding to the first payment (60% of the Deferred Portion) to the executive directors, including the update of their portion in cash, and after having verified that no reduction was applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors. Thereafter, 40% of the 2019 Deferred AVR will be deferred for both executive directors and, if the conditions are met, it will be paid in 2024 and 2025.

- 2018 Deferred AVR: corresponds to the second payment (20% of the Deferred Portion) to the Chair, including the update of his portion in cash. Following this, 20% of the 2018 Deferred AVR will be deferred and if the conditions are met, it will be paid in 2024. This remuneration is associated with his previous position as Chief Executive Officer.

- 2017 Deferred AVR: corresponds to the third and final payment (20% of the Deferred Portion) to the Chair, including the update of his portion in cash. Following this, the payment to the Chair of the 2017 Deferred AVR will be finalized. This remuneration is associated with his previous position as Chief Executive Officer.

Pension commitments with executive directors

The Bank has not assumed any pension obligations with non-executive directors.

With regard to the executive directors, the BBVA Directors' Remuneration Policy establishes a pension framework whereby, in the case of the Chair, he is eligible to receive a retirement pension, paid in either income or capital, when he reaches the legally established retirement age, provided that he does not leave his position as a result of serious dereliction of his duties. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields at that date.

The annual contribution to cover the retirement contingency in the Chair's defined contribution system, established in the BBVA Directors' Remuneration Policy approved by the General Meeting in 2021, is €439 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the agreed annual contribution will be based on variable components and considered “discretionary pension benefits” and will, therefore, be subject to the conditions regarding delivery in shares, withholding and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the BBVA Directors' Remuneration Policy.

In the event that the Chair's contract is terminated before he reaches retirement age for reasons other than serious dereliction of duties, the retirement pension payable to the Chair upon him reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank up to that date, as per the terms set out, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank as of the time of termination.

With respect to the commitments in favor of the Chair to cover the contingencies of death and disability, the Bank will pay the corresponding annual insurance premiums in order to top up this coverage.

In accordance with the foregoing, in the financial year 2022, an amount of €451 thousand has been registered, comprising the agreed annual contribution to cover the retirement contingency, which is €439 thousand, and an amount of €12 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2021, which were declared at the end of that year and which corresponded to the contribution to the accumulated fund in 2022. €473 thousand in premiums for death and disability has also been paid.

As of December 31, 2022, the total accumulated amount of the fund to meet the retirement commitments for the Chair amounted to €22,771 thousand.

With regard to the agreed annual contribution for the retirement contingency corresponding to the 2022 financial year, 15% (€66 thousand) was registered in said financial year as “discretionary pension benefits”. Following the end of the financial year, this amount was adjusted by applying the same criteria used to determine the Annual Variable Remuneration for the Chair for the 2022 financial year and was determined to amount to €85 thousand, which represents an upward adjustment of €19 thousand. These “discretionary pension benefits” will be included in the accumulated fund in the 2023 financial year and will be subject to the conditions established for them in the BBVA Directors' Remuneration Policy.

With regard to the Chief Executive Officer, in accordance with the provisions of the BBVA Directors' Remuneration Policy and those in his contract, the Bank has not undertaken any retirement commitments, although he is entitled to an annual cash sum instead of a retirement pension (cash in lieu of pension) equal to 30% of his Annual Fixed Remuneration. In accordance with the above, in the 2022 financial year, the Bank paid the Chief Executive Officer the amount of fixed remuneration in the form of "cash in lieu of pension", as described in the "Remuneration received by executive directors" section of this Note.

However, the Bank has undertaken commitments to cover the death and disability contingencies for the Chief Executive Officer, for which the corresponding annual insurance premiums are paid. To this end, in 2022, €285 thousands of euros have been recognized for this concept.

Executive directors (thousands of Euros)

	Contributions (1)				Funds accumulated	
	Retirement		Death and disability			
	2022	2021	2022	2021	2022	2021
Chair	451	340	473	574	22,771	24,546
Chief Executive Officer	—	—	285	295	—	—
Total	**451**	**340**	**758**	**869**	**22,771**	**24,546**

(1) Contributions recognized to meet pension commitments to executive directors in financial years 2022 and 2021. In the case of the Chair, these correspond to the sum of the annual retirement pension contribution and the adjustment made to the "discretionary pension benefits" for the financial years 2021 and 2020, the contribution to which was to be made in the financial years 2022 and 2021, respectively, and with the death and disability premiums. In the case of the Chief Executive Officer, the contributions recognized correspond exclusively to the insurance premiums paid by the Bank in 2022 and 2021 to cover the contingencies of death and disability, given that, in his case, the Bank has not undertaken any commitments to cover the retirement contingency .

Remuneration received by Senior Management

The remuneration of all Senior Management, excluding executive directors, for the financial years 2022 and 2021 (16 members with such status as of December, 31 2022 and 2021), in application of the BBVA Group General Remuneration Policy applicable to them, is shown below by remuneration item:

Annual Fixed Remuneration (thousands of Euros)

	2022	2021
Senior Management Total	18,149	16,435

Remuneration in kind (thousands of Euros)

During the financial years 2022 and 2021, remuneration in kind, including insurance and other premiums, has been paid to all Senior Management, excluding executive directors, for an aggregate total amount of €1,093 thousand and €1,409 thousand, respectively.

Annual Variable Remuneration (AVR)

	2022 (2)		2021 (1)	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total	2,143	365,746	1,849	346,106

(1) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2021 paid in the first half of 2022. The Annual Variable Remuneration for the financial year 2021 is subject to the deferral, vesting and payment rules and the other conditions applicable to Annual Variable Remuneration set out in the BBVA Group General Remuneration Policy.

(2) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2022, which will be paid, if the conditions are met, during the first quarter of the financial year 2023, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the financial year 2022. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Group General Remuneration Policy.

Moreover, the remaining rules applicable to the Annual Variable Remuneration of the members of Senior Management established in the BBVA Group General Remuneration Policy shall apply to the Annual Variable Remuneration for the financial year 2022, which include: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update for the Deferred Portion in cash in accordance with the CPI; (iv) malus and clawback arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2022.

Deferred Annual Variable Remuneration from previous financial years

		2022 (2)		2021 (1)	
	Deferred AVR	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total	2021	473	124,602	—	—
	2020	0	0	—	—
	2019	1,355	320,172	—	—
	2018	152	41,442	697	177,104
	2017	168	29,267	158	29,267
Total		**2,149**	**515,483**	**855**	**206,371**

(1) Deferred remuneration from previous financial years to be awarded after 2021 year-end. Award to Senior Management who were beneficiaries took place in 2022 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 Deferred AVR: in 2022, the members of Senior Management who were beneficiaries have been paid the amounts that corresponded in each case in accordance with the payment schedule established in the remuneration policies in force in 2018, including the update of their portion in cash.

- 2017 Deferred AVR: in 2022, the second payment (20% of the Deferred Share) has been paid to the members of the Senior Management who were beneficiaries, including the update of their portion in cash.

(2) Deferred remuneration from previous years to be awarded after 2022 year-end. Award to members of Senior Management who are beneficiaries will take place in 2023 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: corresponds to the first payment (20% of the Deferred Portion), including the update of their portion in cash. Thereafter, 80% of the 2021 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.

- 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 (1)				Funds accumulated	
	Retirement		Death and disability			
	2022	2021	2022	2021	2022	2021
Senior Management Total	3,694	3,056	1,465	1,333	29,435	27,472

(1) Contributions recognized to meet pension commitments to all Senior Management in 2022 and 2021, which correspond to the sum of the annual retirement pension contributions and the adjustments made to the "discretionary pension benefits" for 2021 and 2020 whose contribution was to be made in 2022 and 2021, respectively, and to the insurance premiums paid by the Bank for death and disability contingencies.

Payments for the termination of the contractual relationship

In accordance with the BBVA Directors' Remuneration Policy, the Bank has no commitments to pay severance indemnity to executive directors.

With regard to Senior Management, excluding executive directors, the Bank did not make any payments arising from the termination of contractual relationships in 2022 and 2021.

55. Other information

55.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 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. The accompanying Consolidated Management Report presents in more detail the BBVA Group's management of environmental impacts and risks.

55.2 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash during 2022, 2021 and 2020 (cash basis dividend, regardless of the year in which they were accrued). For a complete analysis of all remuneration awarded to the shareholders in 2022, 2021 and 2020 (see Note 4).

Paid Dividends

	2022			2021			2020		
	% Over nominal	Euros per share	Amount (Millions of Euros)	% Over nominal	Euros per share	Amount (Millions of Euros)	% Over nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	71.43 %	0.35	2,190	16.33 %	0.08	533	32.65 %	0.16	1,067
Rest of shares	—	—	—	—	—	—	—	—	—
Total dividends paid in cash	**71.43 %**	**0.35**	**2,190**	**16.33 %**	**0.08**	**533**	**32.65 %**	**0.16**	**1,067**
Dividends with charge to income	24.49 %	0.12	724	16.33 %	0.08	533	32.65 %	0.16	1,067
Dividends with charge to reserve or share premium	46.94 %	0.23	1,467	—	—	—	—	—	—
Dividends in kind	—	—	—	—	—	—	—	—	—
Flexible payment	—	—	—	—	—	—	—	—	—

Ordinary income and attributable profit by operating segment

The detail of the consolidated ordinary income and profit for each operating segment is as follows as of December 31, 2022, 2021 and 2020:

Ordinary income and attributable profit by operating segment (Millions of Euros)

	Income from ordinary activities (1) (2)			Profit/ (loss) (3)		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Spain	9,501	8,225	8,583	1,678	1,548	647
Mexico	16,829	11,685	11,048	4,182	2,551	1,749
Turkey	7,903	7,388	6,594	509	739	563
South America	8,699	5,961	5,621	734	476	432
Rest of Business	1,357	925	1,126	240	276	221
Subtotal operating segments	**44,289**	**34,184**	**32,972**	**7,342**	**5,590**	**3,612**
Corporate Center and adjustments (4)	(178)	284	(289)	(922)	(938)	(2,307)
Total	**44,111**	**34,468**	**32,683**	**6,420**	**4,653**	**1,305**

(1) The line comprises interest income; dividend income; fee and commission income; gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains (losses) on financial assets and liabilities held for trading, net; gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net; gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; gains (losses) from hedge accounting, net; other operating income; and income from insurance and reinsurance contracts.

(2) In the first quarter of 2022 the Group changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas. Also in the first quarter of 2022, an equity 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 Spain to Rest of Business. Therefore, to ensure that year-on-year comparisons are homogeneous, the figures corresponding to the financial years 2021 and 2020 have been revised, which has not affected the consolidated financial information of the Group.

(3) See Note 6.

(4) 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 in 2021 (see Note 24); and (III) the capital gain from the bancassurance transaction with Allianz in 2020 (see Note 3).

Interest income by geographical area

The breakdown of the balance of "Interest income and similar income" in the consolidated income statements by geographical area is as follows:

Interest income. Breakdown by geographical area (Millions of Euros)

	Notes	**2022**	**2021**	**2020**
Domestic		5,410	4,311	4,677
Foreign		26,023	18,704	17,712
European Union		*473*	*315*	*400*
Eurozone		*327*	*204*	*243*
Not Eurozone		*146*	*112*	*157*
Other countries		*25,550*	*18,388*	*17,312*
Total	**37.1**	**31,432**	**23,015**	**22,389**

Number of employees

The detail of the average number of employees is as follows as of December 31, 2022, 2021 and 2020:

Average number of employees

	2022	**2021**	**2020**
Men	53,642	54,116	57,814
Women	59,389	62,169	67,076
Total	**113,031**	**116,285**	**124,891**

The breakdown of the average number of employees in the BBVA Group as of December 31, 2022, 2021 and 2020 is as follows:

Average number of employees			
	2022	2021	2020
Spanish banks			
Management Team	1,509	1,406	1,424
Managers	8,863	8,783	9,011
Other line personnel and clerical staff	9,984	12,363	13,724
Branches abroad	1,041	981	979
Subtotal	**21,397**	**23,533**	**25,138**
Banks abroad			
Mexico	39,471	35,845	33,753
The United States	0	4,032	9,758
Turkey	21,803	21,791	21,946
Venezuela	1,709	1,875	2,227
Argentina	5,674	5,773	6,048
Colombia	5,385	5,130	5,326
Peru	6,327	6,077	6,149
Other	644	831	1,612
Subtotal	**81,013**	**81,354**	**86,819**
Pension fund managers	**469**	**469**	**435**
Other non-banking companies	**10,152**	**10,929**	**12,499**
Total	**113,031**	**116,285**	**124,891**

The breakdown of the number of employees in the BBVA Group as of December 31, 2022, 2021 and 2020 by category and gender is as follows:

Number of employees at the year end. Professional category and gender	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Management team	3,425	1,726	3,211	1,572	3,257	1,520
Managers	19,361	19,116	18,461	18,810	14,851	13,375
Other line personnel and clerical staff	32,139	39,908	30,237	38,141	38,873	51,298
Total	**54,925**	**60,750**	**51,909**	**58,523**	**56,981**	**66,193**

In 2021, the agreement with the legal representation of the workers on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain is considered in the figures (see Note 24). Employees of companies sold in the USA Sale in 2021 are included in the figures as of December 31, 2020 (see Note 3).

55.3 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24, on the regulation of the mortgage market and other mortgage and financial market regulations and Royal Decree 24/2021, dated November 2, on transposition of European Union directives in matters of covered bonds and cross-border distribution of undertakings for collective investment, can be found in Appendix X.

56. Subsequent events

On February 1, 2023, it was announced that a cash distribution for the amount of €0.31 gross per share in April as a final dividend for the year 2022 and the execution of a share buyback program of BBVA for an amount of €422 million were planned to propose to the corresponding corporate bodies for consideration, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before the inception of its execution (see Note 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 this consolidated financial statements and management report, no relevant impacts on the future continuity of the Group's operations and business in Turkey have been identified. However, it is not possible at this time to carry out a precise evaluation of the future impacts that may derive from this situation. Such impacts, if applicable, will be recorded in the Group's financial statements at 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.

57. Explanation added for translation into English

These consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

Appendices

APPENDIX I. Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022

			% share of participation (1)			Millions of Euros (2) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.64	49.36	100.00	3	3	—
ADQUIRA MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	8	5	3
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	18	17	2
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	1,194	1,189	12
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	—	100.00	100.00	37	36	2
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1,142	1,128	14
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	—	100.00	100.00	25	25	—
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	—	100.00	100.00	24	17	(1)
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	—	100.00	100.00	11	9	7
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	—	100.00	100.00	1	1	—
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	53	114	—
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	56	62	—
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	59	75	—
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	22	22	—
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	—	100.00	100.00	17	25	(1)
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	—	99.95	—	—	—
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.59	66.55	158	671	925
BANCO BBVA PERÚ SA (3)	PERU	BANKING	—	46.12	46.12	1,278	2,300	474
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	—	100.00	110	221	29
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	—
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	—	100.00	100.00	44	42	2
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	46	208	7
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	99.80	0.20	100.00	—	581	31
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	—	100.00	114	139	7
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	—	100.00	100.00	—	—	—
BBVA AI FACTORY SL	SPAIN	SERVICES	—	100.00	100.00	6	4	—
BBVA ASSET MANAGEMENT ARGENTINA SAU SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN	ARGENTINA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	20	—	20
BBVA ASSET MANAGEMENT MEXICO SA DE CV, SOC.OPERADORA DE FONDOS DE 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)

			% share of participation [1]			Millions of Euros [2] Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**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 INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	61	4
BBVA LEASING MEXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	51	214	22
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	99.99	0.01	100.00	11	(14)	27
BBVA MEXICO, S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA MEXICO	MEXICO	BANKING	—	100.00	100.00	14,382	10,770	3,611
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	33	25	5
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
BBVA OP3N S.L.	SPAIN	SERVICES	—	100.00	100.00	—	2	—
BBVA OPERADORA MEXICO, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	65	60	5
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	336	242	95
BBVA PENSIONES, S.A. ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUND MANAGEMENT	100.00	—	100.00	13	15	9
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	—	100.00	109	1,066	219
BBVA PREVISION AFP, S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUND MANAGEMENT	75.00	5.00	80.00	2	5	11
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	1	1	—
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	—	100.00	100.00	39	57	9
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	233	266	(13)
BBVA SEGUROS ARGENTINA, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	11	19	32
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	17	10
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	81	22
BBVA SEGUROS MÉXICO, S.A. DE CV GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	518	228	290
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	—	99.96	713	675	223
BBVA SEGUROS SALUD MEXICO, S.A. DE CV GRUPO FRO. BBVA MEXICO.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	12	9	4
BBVA SERVICIOS ADMINISTRATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	36	52	(16)
BBVA SERVICIOS CORPORATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	4	4	—
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	—	100.00	100.00	—	—	—
BBVA SOCIEDAD TITULIZADORA, S.A.	PERU	OTHER ISSUANCE COMPANIES	—	100.00	100.00	1	1	—
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	9	9	—

(1) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(2) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2022. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2022. The data of the companies in Turkey and Argentina are prior to the application of hyperinflation accounting.

Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022 (continued)

			% share of participation [1]			Millions of Euros [2]		
							Affiliate entity data	
Company	Location	Activity	Direct	Indirect	Total	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 IMMOBILIARIA 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 IMMOBILIARIA, 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)

			% share of participation (1)			Millions of Euros (2)		
							Affiliate entity data	
Company	Location	Activity	Direct	Indirect	Total	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 COMERCIALITZACIO, 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)	CURAÇAO	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)

			% share of participation (1)			Millions of Euros (2)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	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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(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.

Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022 (continued)

			% share of participation (1)			Millions of Euros (2)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	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 IMMOBLES EN ARRENDAMENT, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	—	100.00	100.00	10	14	(4)
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	—	100.00	100.00	8	8	—
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO, S.A.	SPAIN	SERVICES	100.00	—	100.00	67	65	2
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	1	3	—
SPORT CLUB 18, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	11	11	—
TREE INVERSIONES INMOBILIARIAS, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	1,988	754	23
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	—	100.00	100.00	1	1	—
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	531	417	20
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	—	60.60	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS MEXICO SACV	MEXICO	SERVICES	—	100.00	100.00	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS, S.L.	SPAIN	SERVICES	—	51.00	51.00	1	4	(1)
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS USA LLC	UNITED STATES	SERVICES	—	100.00	100.00	—	—	—
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	51.00	51.00	18	22	14

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This Appendix is an integral part of Note 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.

			% Legal share of participation			Millions of Euros [1]				
							Affiliate entity data			
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets 31.12.2022	Liabilities 31.12.2022	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	—	44.44	44.44	4	20	11	9	1
ATOM HOLDCO LIMITED	UNITED KINGDOM	INVESTMENT COMPANY	42.77	—	42.77	132	7,063	6,755	314	(7)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	—	49.00	49.00	5	10	1	10	—
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	—	50.00	50.00	248	836	298	535	4
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO, S.A.	SPAIN	PUBLIC COMPANIES AND INSTITUTIONS	16.67	—	16.67	31	191	7	168	16
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	—	21.50	21.50	2	126	118	4	5
METROVACESA, S.A.	SPAIN	REAL ESTATE	9.44	11.41	20.85	259	2,541	695	1,830	16
PLAY DIGITAL, S.A.	ARGENTINA	PAYMENT ENTITIES	—	10.80	10.80	2	19	3	27	(10)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	24.90	—	24.90	20	121	42	75	4
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	40.00	40.00	4	122	112	10	—
SBD CREIXENT, S.A.	SPAIN	REAL ESTATE	—	23.05	23.05	1	5	1	5	—
SEGURIDAD Y PROTECCION BANCARIAS, S.A. DE CV	MEXICO	SERVICES	—	26.14	26.14	1	4	—	3	1
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE CV	MEXICO	SERVICES	—	46.14	46.14	23	50	—	38	13
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	28.72	—	28.72	8	82	54	26	2
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO, S.A.	SPAIN	PAYMENT ENTITIES	20.61	—	20.61	2	377	369	5	3
SOLARIS SE [2]	GERMANY	BANKING	—	15.51	15.51	66	3,317	3,086	268	(36)
TELEFONICA FACTORING ESPAÑA, S.A. [3]	SPAIN	FINANCIAL SERVICES	30.00	—	30.00	4	73	57	7	9
TF PERU SAC	PERU	FINANCIAL SERVICES	—	24.30	24.30	1	6	1	4	1
JOINT VENTURES										
ALTURA MARKETS SOCIEDAD DE VALORES, S.A.	SPAIN	SECURITIES DEALER	50.00	—	50.00	42	3,391	3,307	73	12
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE CV	MEXICO	SERVICES	—	50.00	50.00	10	20	—	19	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. [4]	SPAIN	INVESTMENT COMPANY	—	50.00	50.00	29	62	4	58	—
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA [4]	MEXICO	REAL ESTATE	—	44.09	44.09	9	185	—	185	—
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	—	42.40	42.40	7	17	—	17	—
INVERSIONES PLATCO CA	VENEZUELA	FINANCIAL SERVICES	—	50.00	50.00	3	7	1	7	(1)
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	—	39.11	39.11	1	3	—	3	—
RCI COLOMBIA, S.A. COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	—	49.00	49.00	36	755	682	57	16

(1) In foreign companies the exchange rate of December 31, 2022 is applied.
(2) The percentage of voting rights owned by the Group entities in this company is 22.22%.
(3) Financial Statements as of December 31, 2021.
(4) Classified as Non-current asset held for sale.

This Appendix is an integral part of 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 (1)	Type of transaction	Total voting rights controlled after the disposal	Effective Date for the Transaction (or Notification Date)
PROPEL VENTURE PARTNERS GLOBAL US, LP	FOUNDING	99.50	31-Mar-22
PROPEL VENTURE PARTNERS BRAZIL US LP	FOUNDING	99.80	31-Mar-22
PROPEL XYZ I LP	FOUNDING	99.40	09-Jun-22
TREE INVERSIONES INMOBILIARIAS, S.A.	ACQUISITION	100.00	15-Jun-22
PROPEL EXPLORER FUND I LP	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 (1)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
BANCO INDUSTRIAL DE BILBAO, S.A.	MERGER	—	15-Dec-22
BBVA FINANZIA SPA	LIQUIDATION	—	08-Jun-22
UNIVERSALIDAD TIPS PESOS E-9	MERGER	—	01-Jun-22
BBVA PLANIFICACION PATRIMONIAL, S.L.	LIQUIDATION	—	07-Jan-22
INMESP DESARROLLADORA, S.A. DE C.V.	MERGER	—	30-Mar-22
PROPEL VENTURE PARTNERS GLOBAL, S.L	MERGER	—	27-Dec-22
PROPEL VENTURE PARTNERS BRAZIL S.L.	MERGER	—	27-Dec-22
PROPEL EXPLORER FUND I, S.L.	MERGER	—	27-Dec-22
PROMOU CT GEBIRA, S.L.	LIQUIDATION	—	15-Jun-22
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	LIQUIDATION	—	23-Aug-22
JALE PROCAM, S.L. (EN LIQUIDACIÓN)	LIQUIDATION	—	23-Dec-22
SATICEM IMMOBILIARIA, 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 [(1)]	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
NUEVO MARKETPLACE, S.L.	CAPITAL INCREASE	28.16	30-Sep-22
ATOM HOLDCO LIMITED	FOUNDING	42.77	30-Nov-22
SOLARIS SE [(2)]	CAPITAL INCREASE	15.51	04-Nov-22

(1) Variations of less than 0.1% have not been considered due to immateriality.
(2) The percentage of voting rights 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 [(1)]	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
IRB RIESGO OPERACIONAL SL	CAPITAL DECREASE	—	11-Jan-22
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	DISPOSAL	—	16-Jun-22
ATOM BANK PLC	TRANSFER PARTICIPATIONS	—	01-Nov-22
PRIVACYCLOUD S.L.	DISPOSAL	—	15-Dec-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

This Appendix is an integral part of 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

		% of voting rights controlled by the Bank		
Company	**Activity**	**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 an integral 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.

			Millions of Euros	
Securitization fund (consolidated)	**Company**	**Origination date**	**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

		Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2022**	**December 2021**	**December 2020**	**Prevailing Interest Rate as of December 31, 2022**	**Maturity Date**
Issues in Euros						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
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
Total issued in Euros	**EUR**	**6,460**	**7,028**	**8,113**		

Outstanding as of December 31, 2022, 2021 and 2020 of subordinated issues

		Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2022**	**December 2021**	**December 2020**	**Prevailing Interest Rate as of December 31, 2022**	**Maturity Date**
Issues in foreign currency						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
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
Subtotal	**USD**	**2,267**	**2,135**	**1,970**		
May-17	CHF	20	19	19	1.60 %	24-May-27
Subtotal	**CHF**	**20**	**19**	**19**		
July-20	GBP	338	357	334	3.10 %	15-Jul-31
Subtotal	**GBP**	**338**	**357**	**334**		
BBVA GLOBAL FINANCE LTD [(1)]						
December-95	USD	187	176	162	7.00 %	1-Dec-25
Subtotal	**USD**	**187**	**176**	**162**		
BBVA BANCOMER S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER						
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
Subtotal	**USD**	**1,824**	**3,057**	**3,425**		
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.						
November-17	USD	1	—	—	9.54 %	6-Feb-64
Subtotal	**—**	**1**	**—**	**—**		
BBVA PARAGUAY S.A. [(2)]						
November-14	USD	—	—	16	6.75 %	5-Nov-21
November-15	USD	—	—	20	6.70 %	18-Nov-22
Subtotal	**USD**	**—**	**—**	**37**		
BBVA USA [(2)]						
March-06	USD	—	—	58	5.90 %	1-Apr-26
April-15	USD	—	—	570	3.88 %	10-Apr-25
Subtotal	**USD**	**—**	**—**	**628**		

(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 December 2022	Millions of Euros December 2021	Millions of Euros December 2020	Prevailing Interest Rate as of December 31, 2022	Maturity Date
BBVA COLOMBIA S.A.						
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
Subtotal	**COP**	**139**	**168**	**200**		
April-15	USD	375	349	324	4.93 %	21-Apr-25
Subtotal	**USD**	**375**	**349**	**324**		
BBVA BANCO CONTINENTAL S.A.						
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
Subtotal	**PEN**	**93**	**77**	**74**		
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
Subtotal	**USD**	**332**	**349**	**327**		
GARANTI BBVA AS						
May-17	USD	698	645	607	7.18 %	24-May-27
Subtotal	**USD**	**698**	**645**	**607**		
October-19	TRY	13	17	28	10.66 %	7-Oct-29
February-20	TRY	38	49	82	12.33 %	14-Feb-30
Subtotal	**TRY**	**50**	**66**	**110**		
Total Issues in other currencies		**6,326**	**7,398**	**8,217**		

Outstanding as of December 31, 2022, 2021 and 2020 of subordinated issues (Millions of Euros)

Issuer entity and issued date	December 2022 Currency	December 2022 Amount Issued	December 2021 Currency	December 2021 Amount Issued	December 2020 Currency	December 2020 Amount Issued
BBVA COLOMBIA S.A.						
December-93	COP	—	COP	—	COP	—
BBVA International Preferred, S.A.U.						
July-07	GBP	—	GBP	—	GBP	35
PHOENIX LOAN HOLDINGS INC						
November-00	USD	—	USD	—	USD	17
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU						
August-05	EUR	—	EUR	—	EUR	74
CAIXASABADELL PREFERENTS S.A.						
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
December 2022					
Assets					
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
Total	**91,858**	**126,832**	**37,001**	**63,151**	**318,842**
Liabilities					
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
Total	**90,167**	**110,340**	**26,021**	**52,652**	**279,180**
December 2021					
Assets					
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
Total	**83,393**	**101,331**	**27,583**	**62,969**	**275,276**
Liabilities					
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
Total	**81,015**	**87,588**	**16,175**	**47,200**	**231,977**
December 2020					
Assets					
Cash, cash balances at central banks and other demand deposits	16,615	4,847	772	4,130	26,365
Financial assets held for trading	5,114	22,154	359	6,112	33,740
Non- trading financial assets mandatorily at fair value through profit or loss	883	3,369	7	291	4,549
Financial assets at fair value through comprehensive income	7,073	7,723	2,489	8,087	25,373
Financial assets at amortized cost	39,841	53,184	26,810	38,036	157,871
Joint-ventures and associates	5	14	—	246	265
Tangible assets	15	1,819	858	852	3,544
Other assets	83,406	2,053	1,191	2,009	88,658
Total	**152,953**	**95,163**	**32,486**	**59,764**	**340,366**
Liabilities					
Financial liabilities held for trading	4,562	18,489	471	772	24,295
Financial liabilities at amortized cost	67,165	54,429	18,930	43,468	183,993
Other liabilities	78,724	6,662	687	7,393	93,466
Total	**150,452**	**79,580**	**20,088**	**51,633**	**301,753**

This Appendix is an integral part of Notes 2.2.15 of the consolidated financial statements for the year ended December 31, 2022.

APPENDIX VIII. Consolidated income statements for the first and second half of 2022 and 2021

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Six months ended June 30, 2022	Six months ended December 31, 2022	Six months ended June 30, 2021 (1)	Six months ended December 31, 2021 (1)
Interest and other income	13,403	18,029	10,962	12,053
Financial assets at fair value through other comprehensive income	*1,304*	*1,806*	*814*	*1,066*
Financial assets at amortized cost	*10,395*	*14,863*	*8,849*	*9,515*
Other interest income	*1,704*	*1,360*	*1,299*	*1,472*
Interest expense	(4,852)	(7,427)	(4,007)	(4,322)
NET INTEREST INCOME	**8,551**	**10,603**	**6,955**	**7,731**
Dividend income	76	47	125	50
Share of profit or loss of entities accounted for using the equity method	15	6	(5)	6
Fee and commission income	3,964	4,297	3,311	3,686
Fee and commission expense	(1,314)	(1,594)	(996)	(1,235)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	39	25	121	13
Financial assets at amortized cost	*8*	*—*	*5*	*22*
Other financial assets and liabilities	*31*	*25*	*115*	*(9)*
Gains (losses) on financial assets and liabilities held for trading, net	11	551	463	(122)
Reclassification of financial assets from fair value through other comprehensive income	*—*	*—*	*—*	*—*
Reclassification of financial assets from amortized cost	*—*	*—*	*—*	*—*
Other gains (losses)	*11*	*551*	*463*	*(122)*
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(35)	(32)	280	152
Reclassification of financial assets from fair value through other comprehensive income	*—*	*—*	*—*	*—*
Reclassification of financial assets from amortized cost	*—*	*—*	*—*	*—*
Other gains (losses)	*(35)*	*(32)*	*280*	*152*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	348	(198)	96	239
Gains (losses) from hedge accounting, net	16	(61)	(81)	(133)
Exchange differences, net	716	559	206	677
Other operating income	297	231	340	321
Other operating expense	(1,803)	(1,635)	(997)	(1,044)
Income from insurance and reinsurance contracts	1,537	1,566	1,350	1,243
Expense from insurance and reinsurance contracts	(908)	(984)	(909)	(776)
GROSS INCOME	**11,509**	**13,381**	**10,259**	**10,807**
Administration costs	(4,401)	(5,031)	(3,983)	(4,313)
Personnel expense	*(2,587)*	*(3,025)*	*(2,371)*	*(2,675)*
Other administrative expense	*(1,815)*	*(2,006)*	*(1,612)*	*(1,638)*
Depreciation and amortization	(652)	(676)	(615)	(619)
Provisions or reversal of provisions	(112)	(179)	(928)	(90)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,441)	(1,938)	(1,580)	(1,454)
Financial assets measured at amortized cost	(1,391)	(1,912)	(1,587)	(1,430)
Financial assets at fair value through other comprehensive income	(50)	(26)	8	(25)
NET OPERATING INCOME	**4,903**	**5,556**	**3,153**	**4,331**
Impairment or reversal of impairment of investments in joint ventures and associates	19	24	—	—
Impairment or reversal of impairment on non-financial assets	—	(27)	(196)	(26)
Tangible assets	*22*	*31*	*(158)*	*(3)*
Intangible assets	*(5)*	*(20)*	*(5)*	*(14)*
Other assets	*(17)*	*(38)*	*(33)*	*(8)*
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(15)	4	5	19
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	(120)	13	(73)	33
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**4,787**	**5,569**	**2,889**	**4,358**
Tax expense or income related to profit or loss from continuing operations	(1,668)	(1,861)	(782)	(1,127)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**3,119**	**3,708**	**2,107**	**3,231**
Profit (loss) after tax from discontinued operations	—	—	280	—
PROFIT (LOSS)	**3,119**	**3,708**	**2,387**	**3,231**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**117**	**290**	**476**	**489**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**3,001**	**3,419**	**1,911**	**2,742**

(1) Presented for comparison purposes only.

APPENDIX VIII. Consolidated income statements for the first and second half of 2022 and 2021 (continued)

EARNINGS (LOSSES) PER SHARE (Euros)	Six months ended June 30, 2022	Six months ended December 31, 2022	Six months ended June 30, 2021 (1)	Six months ended December 31, 2021 (1)
EARNINGS (LOSSES) PER SHARE (Euros)	0.45	0.54	0.26	0.41
Basic earnings (losses) per share from continuing operations	0.45	0.54	0.21	0.41
Diluted earnings (losses) per share from continuing operations	0.45	0.54	0.21	0.41
Basic earnings (losses) per share from discontinued operations	—	—	0.04	—
Diluted earnings (losses) per share from discontinued operations	—	—	0.04	—

(1) Presented for comparison purposes only.

APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

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

(1) Presented for comparison purposes only.

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

(1) Presented for comparison purposes only.

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

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)	2022	2021 (1)
Loan commitments given	95,948	89,353
Financial guarantees given	16,305	11,662
Other commitments given	26,850	24,181

(1) Presented for comparison purposes only.

INCOME STATEMENTS (Millions of Euros)

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

(1) Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

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

(1) Presented for comparison purposes only.

Statement of changes in equity for the year ended December 31, 2022 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

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

Statement of changes in equity for the year ended December 31, 2021 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

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

(1) Presented for comparison purposes only.

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

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)		
	2022	**2021 (1)**
Cash	972	830
Balance of cash equivalent in central banks	49,854	36,566
Other financial assets	2,147	1,424
Less: Bank overdraft refundable on demand	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**52,973**	**38,821**

(1) Presented for comparison purposes only.

This Appendix is an integral part of Notes 2.1 of the consolidated financial statements for the year ended December 31, 2022.

APPENDIX X. Information on data derived from the special accounting registry and other information bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 4/2017. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and advances" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established on the applicable regulation, the Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the collateral which serves as guarantee and the eligible collateral, to avoid exceeding any limit which is applicable in accordance with the applicable regulations at any time. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by an independent expert from outside the Bank. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of December 31, 2022 and 2021 is shown below.

b.1) Ongoing operations[1]

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)		2022	2021
Nominal value of outstanding loans and mortgage loans	(A)	82,753	86,112
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	*(B)*	*(26,197)*	*(27,106)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**(A)-(B)**	**56,556**	**59,006**
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*(C)*	*42,607*	*45,006*
Of which: Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	*(D)*	*(611)*	*(1,043)*
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**(C)-(D)**	**41,996**	**43,963**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	(E)	33,597	35,170
Issued Mortgage-covered bonds	**(F)**	**23,276**	**31,899**
Outstanding Mortgage-covered bonds		**7,775**	**9,399**
Capacity to issue mortgage-covered bonds	(E)-(F)	10,321	3,271
Memorandum items:			
Percentage of overcollateralization across the portfolio		*243 %*	*185 %*
Percentage of overcollateralization across the eligible used portfolio		*180 %*	*138 %*
Nominal value of available sums (committed and unused) from all loans and mortgage loans.		6,409	5,765
Of which: Potentially eligible		*5,146*	*4,972*
Of which: Ineligible		*1,263*	*793*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.		5,915	7,623
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.		—	—

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)		2022	2021
Total loans	**(1)**	**82,753**	**86,112**
Issued mortgage participations	**(2)**	**8,604**	**3,703**
Of which: recognized on the balance sheet		*7,666*	*2,632*
Issued mortgage transfer certificates	**(3)**	**17,593**	**23,403**
Of which: recognized on the balance sheet		*16,019*	*21,530*
Mortgage loans as collateral of mortgages bonds	**(4)**	**—**	**—**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**56,556**	**59,006**
Non eligible loans		13,949	14,000
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		5,915	7,623
Other		8,034	6,377
Eligible loans		42,607	45,006
That cannot be used as collateral for issuances		611	1,043
That can be used as collateral for issuances		41,996	43,963
Loans used to collateralize mortgage bonds		—	—
Loans used to collateralize mortgage-covered bonds		41,996	43,963

[1] The issues of Covered Bonds are subject to the provisions of Royal Decree-Law 24/2021 from its entry into force on July 8, 2022

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	2022			2021		
	Total mortgage loans	Eligible Loans (1)	Eligibles that can be used as collateral for issuances (2)	Total mortgage loans	Eligible Loans (1)	Eligibles that can be used as collateral for issuances (2)
Total	**56,556**	**42,607**	**41,996**	**59,006**	**45,006**	**43,963**
By source of the operations						
Originated by the bank	52,698	39,463	38,867	54,830	41,426	40,413
Subrogated by other institutions	706	532	532	687	549	545
Rest	3,152	2,612	2,597	3,489	3,031	3,005
By Currency						
In Euros	56,399	42,532	41,921	58,873	44,908	43,865
In foreign currency	157	75	75	133	98	98
By payment situation						
Normal payment	52,175	41,067	40,622	53,002	42,477	41,789
Other situations	4,381	1,540	1,374	6,004	2,529	2,174
By residual maturity						
Up to 10 years	11,845	9,716	9,572	11,948	9,776	9,505
10 to 20 years	23,244	19,466	19,016	24,634	21,332	20,653
20 to 30 years	19,373	13,071	13,056	19,513	13,139	13,064
Over 30 years	2,094	354	352	2,911	759	741
By Interest rate						
Fixed rate	17,632	14,020	13,991	16,657	12,529	12,462
Floating rate	38,924	28,587	28,005	42,349	32,477	31,501
Mixed rate	—	—	—	—	—	—
By target of operations						
For business activity	9,017	5,689	5,107	9,494	6,316	5,482
Of which: RE development	*1,758*	*1,157*	*577*	*2,116*	*1,415*	*695*
Household and NPISHs	47,539	36,918	36,889	49,512	38,690	38,481
By type of guarantee						
Secured by completed assets/buildings	**54,952**	**41,753**	**41,427**	**57,390**	**44,052**	**43,275**
Residential use	48,598	37,666	37,397	50,941	39,806	39,182
Of which: public housing	*3,053*	*2,508*	*2,428*	*3,418*	*2,851*	*2,728*
Commercial	6,334	4,086	4,029	6,407	4,236	4,083
Other	20	1	1	42	10	10
Secured by assets/buildings under construction	**1,142**	**666**	**421**	**1,132**	**779**	**556**
Residential use	813	515	270	836	619	400
Of which: public housing	*1*	—	—	*1*	—	—
Commercial	329	151	151	296	160	156
Other	—	—	—	—	—	—
Secured by land	**462**	**188**	**148**	**484**	**175**	**132**
Urban	171	76	38	178	73	33
Non-urban	291	112	110	306	102	99

(1) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.
(2) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
December 2022					
Home mortgages	14,160	12,814	11,378	—	38,352
Other mortgages	2,387	1,868			4,255
Total	**16,547**	**14,682**	**11,378**	**—**	**42,607**
December 2021					
Home mortgages	13,612	13,935	13,004	—	40,551
Other mortgages	2,264	2,191			4,455
Total	**15,876**	**16,126**	**13,004**	**—**	**45,006**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	2022		2021	
	Eligible (1)	Non eligible	Eligible (1)	Non eligible
Balance at the beginning	**45,006**	**14,000**	**44,854**	**16,350**
Retirements	**9,627**	**7,427**	**6,829**	**6,033**
Held-to-maturity cancellations	3,962	1,198	4,008	1,013
Anticipated cancellations	2,247	751	2,283	971
Subrogations to other institutions	98	31	56	20
Rest	3,320	5,447	482	4,029
Additions	**7,228**	**7,376**	**6,981**	**3,684**
Originated by the bank	3,698	3,539	5,275	3,138
Subrogations to other institutions	63	41	25	10
Rest	3,467	3,796	1,682	535
Balance at the end	**42,607**	**13,949**	**45,006**	**14,000**

(1) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	2022	2021
Potentially eligible	5,146	4,972
Ineligible	1,263	793
Total	**6,409**	**5,765**

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of Euros)

	2022		2021	
	Nominal value	**Average residual maturity**	**Nominal value**	**Average residual maturity**
Mortgage bonds	**—**		**—**	
Mortgage-covered bonds	**23,276**		**31,899**	
Of which: Non recognized as liabilities on balance	*15,501*		*22,500*	
Of Which: outstanding	*7,775*		*9,399*	
Debt securities issued through public offer	7,950		7,700	
Residual maturity up to 1 year	*2,250*		*1,250*	
Residual maturity over 1 year and less than 2 years	*1,000*		*2,250*	
Residual maturity over 2 years and less than 3 years	*2,000*		*1,000*	
Residual maturity over 3 years and less than 5 years	*2,500*		*3,000*	
Residual maturity over 5 years and less than 10 years	*—*		*—*	
Residual maturity over 10 years	*200*		*200*	
Debt securities issued without public offer	14,105		22,610	
Residual maturity up to 1 year	*2,500*		*2,000*	
Residual maturity over 1 year and less than 2 years	*—*		*9,000*	
Residual maturity over 2 years and less than 3 years	*4,000*		*—*	
Residual maturity over 3 years and less than 5 years	*4,605*		*8,500*	
Residual maturity over 5 years and less than 10 years	*3,000*		*3,110*	
Residual maturity over 10 years	*—*		*—*	
Deposits	1,221		1,589	
Residual maturity up to 1 year	*100*		*368*	
Residual maturity over 1 year and less than 2 years	*—*		*100*	
Residual maturity over 2 years and less than 3 years	*371*		*—*	
Residual maturity over 3 years and less than 5 years	*100*		*371*	
Residual maturity over 5 years and less than 10 years	*650*		*750*	
Residual maturity over 10 years	*—*		*—*	
Mortgage participations	**7,666**	**248**	**2,632**	**251**
Issued through public offer	7,666	248	2,632	251
Issued without public offer	—	—	—	—
Mortgage transfer certificates	**16,019**	**248**	**21,530**	**251**
Issued through public offer	16,019	248	21,530	251
Issued without public offer	—	—	—	—

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of December 31, 2022 and 2021:

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)

	Nominal value 2022	Nominal value 2021
Eligible loans according to article 34.6 and 7 of the Law 14/2013	3,574	3,539
Minos: Loans that support the issuance of internationalization bonds	—	—
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 of Royal Decree 579/2014	1	15
Total loans included in the base of all issuance limit	**3,573**	**3,524**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)

	Nominal value 2022	Nominal value 2021
(1) Debt securities issued through public offer (a)	**—**	**1,500**
Of which: treasury shares	*—*	*1,500*
Residual maturity up to 1 year	—	1,500
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(2) Debt securities issued without public offer (a)	**—**	**—**
Of which: treasury shares	*—*	*—*
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(3) Deposits (b)	**—**	**—**
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
TOTAL: (1) + (2) + (3)	**—**	**1,500**
	Percentage	**Percentage**
Coverage ratio of internationalization covered bonds on loans (c)	**— %**	**43 %**

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

Loans that serves as collateral for the territorial bonds

	Nominal Value (a)		
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
December 2022			
Central Governments	1,585	1,582	3
Regional Governments	7,131	7,105	26
Local Governments	3,678	3,678	—
Total loans	**12,394**	**12,365**	**29**
December 2021			
Central Governments	1,435	1,422	13
Regional Governments	7,756	7,729	27
Local Governments	3,598	3,598	—
Total loans	**12,789**	**12,749**	**40**

(a) Principal pending payment of loans.

d.2) Liabilities operations

TERRITORIAL BONDS

	Nominal value 2022	**Nominal value 2021**
Territorial bonds issued (a)	**6,240**	**6,540**
Issued through a public offering	6,240	6,540
Of which: Treasury share	*6,040*	*6,040*
Residual maturity up to 1 year	200	840
Residual maturity over 1 year and less than 2 years	500	200
Residual maturity over 2 years and less than 3 years	3,000	500
Residual maturity over 3 years and less than 5 years	2,540	5,000
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
Other issuances	—	—
Of which: Treasury share	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
	Percentage	**Percentage**
Coverage ratio of the territorial bonds on loans (b)	**50 %**	**51 %**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).
(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Notes 14.3, 22.4 and 55.3 of the consolidated financial statements for the year ended December 31, 2022.

APPENDIX XI. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 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
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	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)
Of which: financing the construction and property (including land)	*460*	*479*	*819*	*383*	*164*	*33*	*(497)*
Other households (1)	231,910	1,412	79,666	4,969	3,702	20	(1,601)
Total	**307,983**	**7,343**	**88,399**	**7,778**	**4,946**	**246**	**(4,920)**
Of which: IMPAIRED							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	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)
Of which: financing the construction and property (including land)	*414*	*475*	*620*	*269*	*82*	*22*	*(480)*
Other households (1)	124,228	871	37,043	2,514	1,607	4	(1,412)
Total	**184,430**	**4,004**	**43,088**	**4,130**	**2,113**	**70**	**(4,242)**

(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						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	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)
Of which: financing the construction and property (including land)	*739*	*155*	*1,785*	*486*	*322*	*—*	*(513)*
Other households [(1)]	275,927	1,813	96,312	5,877	4,473	25	(1,622)
Total	**376,215**	**8,496**	**107,786**	**9,453**	**6,599**	**70**	**(4,834)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	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)
Of which: financing the construction and property (including land)	*592*	*148*	*1,229*	*320*	*179*	*—*	*(464)*
Other households [(1)]	143,791	948	39,962	2,701	1,799	3	(1,377)
Total	**218,129**	**4,689**	**47,425**	**4,512**	**2,661**	**13**	**(4,031)**

(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						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	67	77	69	62	45	—	(15)
Other financial corporations and individual entrepreneurs (financial business)	519	10	22	2	2	—	(4)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	111,648	5,592	11,343	3,182	1,911	33	(3,128)
Of which: financing the construction and property (including land)	*624*	*500*	*1,081*	*622*	*370*	*8*	*(420)*
Other households [(1)]	261,097	1,782	86,643	5,992	4,379	27	(1,712)
Total	**373,331**	**7,460**	**98,077**	**9,239**	**6,337**	**60**	**(4,859)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	39	36	29	20	14	—	(12)
Other financial corporations and individual entrepreneurs (financial business)	283	5	11	1	1	—	(3)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	67,588	3,470	6,880	1,939	916	21	(2,727)
Of which: financing the construction and property (including land)	*469*	*216*	*674*	*408*	*197*	*8*	*(311)*
Other households [(1)]	113,013	765	37,063	2,805	1,820	8	(1,358)
Total	**180,923**	**4,274**	**43,983**	**4,765**	**2,750**	**30**	**(4,100)**

(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
Of which: Financing the construction and property development (including land)	*365*	*128*	*701*
Households	4,780	6,068	6,062
Total carrying amount	**10,200**	**13,114**	**11,840**
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 %
Of which: Construction and developer	*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 (1)	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	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 (2) and individual entrepreneurs	56,254	13,634	2,540	4,851	3,866	2,514	1,307	3,637
Rest of households and NPISHs (3)	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
TOTAL	**367,095**	**119,644**	**29,632**	**32,792**	**34,348**	**34,911**	**21,636**	**25,589**
MEMORANDUM ITEM:								
Forbearance operations (4)	*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)

				Loans to customers. Loan to value				
	Total (1)	Mortgage loans	Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	19,928	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 (2) and individual entrepreneurs	51,137	12,518	1,307	4,292	3,692	2,228	1,445	2,167
Rest of households and NPISHs (3)	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
TOTAL	**328,635**	**116,872**	**22,001**	**28,415**	**31,298**	**37,295**	**28,679**	**13,185**
MEMORANDUM ITEM:								
Forbearance operations (4)	*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)

				Loans to customers. Loan to value				
	Total (1)	Mortgage loans	Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	19,718	372	1,451	390	546	135	714	39
Other financial institutions and individual entrepreneurs	17,464	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 (2) and individual entrepreneurs	52,909	13,154	1,801	4,411	4,142	2,449	1,877	2,076
Rest of households and NPISHs (3)	137,870	92,555	1,836	19,606	24,126	27,130	15,463	8,066
Housing	94,098	90,756	131	18,743	23,719	26,817	13,960	7,648
Consumption	39,442	418	1,521	246	190	139	1,245	118
Other purposes	4,331	1,381	184	617	216	174	257	301
TOTAL	**318,745**	**116,813**	**16,768**	**28,456**	**33,419**	**34,343**	**24,324**	**13,039**
MEMORANDUM ITEM:								
Forbearance operations (4)	*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.

c. Information on the concentration of risk by activity and geographical areas

December 2022 (Millions of Euros)

	TOTAL [1]	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
TOTAL	**730,724**	**291,119**	**93,603**	**235,179**	**110,823**

(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 [1]	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
TOTAL	**673,350**	**276,887**	**95,218**	**195,768**	**105,477**

(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 (1)	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
TOTAL	**655,093**	**284,151**	**79,955**	**190,228**	**100,759**

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

This Appendix is an integral part of Note 7.2.7 of the consolidated financial statements for the year ended December 31, 2022.

APPENDIX XII. Additional information on risk concentration

a. Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 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
Subtotal Europe	**78,470**	**74,534**	**80,984**
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
Subtotal rest of countries	**51,031**	**46,915**	**54,746**
Total exposure to financial instruments	**129,501**	**121,449**	**135,729**

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 %
Total Exposure to Sovereign Counterparties (European Union)	**36,960**	**11,769**	**305**	**46**	**(126)**	**(1,835)**	**6,095**	**(7,502)**	**45,712**	**44 %**
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 %
Total other countries	**42,365**	**9,153**	**5,688**	**25**	**(133)**	**405**	**21**	**(7)**	**57,516**	**56 %**
Total	**79,325**	**20,922**	**5,992**	**71**	**(258)**	**(1,430)**	**6,115**	**(7,509)**	**103,228**	**100 %**

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 an integral 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
Financing to construction and real estate development (including land) (Business in Spain)	**1,861**	**2,123**	**2,565**	**350**	**455**	**650**	**(157)**	**(197)**	**(281)**
Of which: Impaired assets	*239*	*336*	*473*	*82*	*132*	*213*	*(122)*	*(142)*	*(230)*
Memorandum item:									
Write-offs	2,086	2,155	2,288						
Memorandum item:									
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
Without secured loan	**232**	**248**	**372**
With secured loan	**1,629**	**1,875**	**2,193**
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
Total	**1,861**	**2,123**	**2,565**

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*
Without mortgage	*1,539*	*1,631*	*1,693*	*8*	*13*	*20*
With mortgage	*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)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount December 31, 2022	16,981	20,060	22,255	6,794	4,171	70,260
Of which: Impaired loans	*248*	*341*	*438*	*450*	*999*	*2,477*
Gross amount December 31, 2021	15,189	18,107	22,782	9,935	6,449	72,463
Of which: Impaired loans	*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
Of which: Impaired loans	*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
Real estate assets from loans to the construction and real estate development sectors in Spain	**539**	**654**	**913**	**(389)**	**(407)**	**(486)**	**(229)**	**(214)**	**(234)**	**150**	**247**	**427**
Terminated buildings	125	196	363	(72)	(94)	(144)	(38)	(44)	(60)	54	102	219
Homes	*49*	*87*	*212*	*(25)*	*(39)*	*(75)*	*(11)*	*(17)*	*(33)*	*24*	*48*	137
Other	*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
Homes	*20*	*22*	*29*	*(15)*	*(16)*	*(20)*	*(7)*	*(6)*	*(10)*	*5*	*6*	9
Other	*1*	*1*	*1*	*(1)*	*(1)*	*(1)*	*—*	*—*	*—*	*—*	*—*	—
Land	393	435	520	(302)	(296)	(321)	(183)	(164)	(164)	91	139	199
Urbanized land	*366*	*406*	*485*	*(285)*	*(281)*	*(303)*	*(170)*	*(153)*	*(150)*	*81*	*125*	182
Rest of land	*27*	*29*	*35*	*(17)*	*(15)*	*(18)*	*(12)*	*(11)*	*(14)*	*10*	*14*	17
Real estate assets from mortgage financing for households for the purchase of a home	**736**	**970**	**1,128**	**(410)**	**(520)**	**(593)**	**(134)**	**(154)**	**(163)**	**327**	**450**	**535**
Rest of foreclosed real estate assets	**449**	**494**	**481**	**(270)**	**(264)**	**(259)**	**(80)**	**(62)**	**(48)**	**179**	**230**	**222**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**656**	**708**	**1,310**	**(397)**	**(449)**	**(450)**	**(358)**	**(410)**	**(412)**	**259**	**259**	**860**
Total	**2,381**	**2,826**	**3,832**	**(1,466)**	**(1,640)**	**(1,788)**	**(801)**	**(840)**	**(857)**	**915**	**1,186**	**2,044**

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 an integral 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
Derivatives	**5,222**	**20,494**	**1,824**	**7,679**	**128**	**3,493**	**1,068**	**39,908**
Equity instruments (1)	**1,342**	**3,068**	**5,012**	**2,026**	**145**	**225**	**294**	**12,113**
Debt securities	**43,049**	**20,200**	**33,322**	**7,863**	**9,366**	**8,372**	**4,814**	**126,985**
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
Loans and advances	**176,212**	**65,763**	**77,840**	**12,508**	**42,080**	**46,451**	**11,157**	**432,011**
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
Total risk in financial assets	**225,825**	**109,525**	**117,998**	**30,077**	**51,718**	**58,541**	**17,333**	**611,018**
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
Off-balance sheet exposures	**54,294**	**54,912**	**23,209**	**18,783**	**21,074**	**15,213**	**5,082**	**192,568**
Total risks in financial instruments	**280,119**	**164,437**	**141,207**	**48,860**	**72,793**	**73,754**	**22,415**	**803,585**

(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
Derivatives	**4,145**	**15,783**	**1,511**	**4,706**	**945**	**3,248**	**594**	**30,933**
Equity instruments [(1)]	**3,682**	**12,510**	**3,885**	**1,273**	**80**	**206**	**951**	**22,587**
Debt securities	**43,336**	**22,288**	**32,042**	**4,418**	**5,677**	**6,237**	**6,993**	**120,990**
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
Loans and advances	**177,851**	**64,238**	**60,208**	**9,319**	**36,743**	**42,182**	**9,984**	**400,525**
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
Total risk in financial assets	**229,013**	**114,819**	**97,647**	**19,718**	**43,445**	**51,873**	**18,521**	**575,035**
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
Off-balance sheet exposures	**52,546**	**47,671**	**19,805**	**15,760**	**14,050**	**11,321**	**4,789**	**165,941**
Total risks in financial instruments	**281,559**	**162,489**	**117,451**	**35,477**	**57,496**	**63,194**	**23,309**	**740,976**

(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
Derivatives	**8,419**	**17,811**	**2,292**	**8,350**	**349**	**2,162**	**800**	**40,183**
Equity instruments (1)	**2,196**	**9,627**	**3,197**	**925**	**65**	**260**	**420**	**16,690**
Debt securities	**56,552**	**18,932**	**29,392**	**5,097**	**7,466**	**5,907**	**6,287**	**129,632**
Central banks	—	—	—	—	—	2,535	100	2,635
General governments	48,765	12,320	26,567	2,412	7,449	2,547	4,641	104,701
Credit institutions	1,680	2,383	1,542	214	14	205	681	6,718
Other financial corporations	5,466	1,804	404	897	2	439	163	9,175
Non-financial corporations	641	2,426	879	1,574	—	180	702	6,402
Loans and advances	**168,849**	**50,691**	**57,787**	**8,335**	**40,373**	**39,081**	**9,964**	**375,080**
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
Total risk in financial assets	**236,016**	**97,061**	**92,667**	**22,706**	**48,253**	**47,410**	**17,471**	**561,585**
Loan commitments given	35,096	32,327	15,748	33,644	7,691	6,530	1,548	132,584
Financial guarantees given	850	3,302	24	714	4,415	1,013	348	10,665
Other commitments given	15,474	8,224	1,618	1,922	3,403	2,883	2,666	36,190
Off-balance sheet exposures	**51,419**	**43,853**	**17,391**	**36,280**	**15,508**	**10,425**	**4,563**	**179,440**
Total risks in financial instruments	**287,436**	**140,914**	**110,058**	**58,986**	**63,761**	**57,836**	**22,034**	**741,025**

(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.

Impaired financial assets by geographic area (Millions of Euros)	2022	2021	2020
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
IMPAIRED RISKS	**13,493**	**14,657**	**14,678**

This Appendix is an integral part of Note 7.2.8 of the consolidated financial statements for the year ended December 31, 2022.

APPENDIX XIII Information in accordance with article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

December 31, 2022 (Millions of Euros)

Country	CIT payments cash basis	CIT expense consol	PBT consol	Gross margin	Nº employees (1)	Activity	Main Entity
Germany	19	10	30	45	38	Banking services	BBVA, S.A. - Frankfurt Branch Office
Argentina	7	(13)	253	1,208	5,421	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Belgium	—	—	2	5	21	Banking services	BBVA, S.A. - Brussels Branch Office
Bolivia	3	4	16	32	466	Pensions	BBVA Previsión AFP S.A.
Brazil	—	1	1	3	—	Financial services	BBVA Brasil Banco de Investimento, S.A.
Chile	22	6	49	171	767	Financial services	Forum Servicios Financieros, S.A.
China	—	—	—	5	25	Banking services	BBVA, S.A. - Shanghai Branch Office
Cyprus	3	3	12	14	106	Banking services	Garanti BBVA AS - Nicosia Branch Office
Colombia	123	126	342	1,024	6,623	Finance, banking and insurance services	BBVA Colombia S.A.
Curaçao	—	—	2	5	15	Finance and banking services	Banco Provincial Overseas N.V.
Spain	549	496	1,297	6,331	24,875	Finance, banking and insurance services	BBVA, S.A.
United States	24	18	67	160	347	Finance and banking services	BBVA, S.A. - New York Branch Office
France	25	13	51	81	67	Banking services	BBVA, S.A. - Paris Branch Office
Hong Kong	—	5	34	69	93	Banking services	BBVA,S.A. - Hong-Kong Branch Office
Italy	11	33	110	84	52	Banking services	BBVA, S.A. - Milan Branch Office
Japan	—	—	(1)	—	4	Banking services	BBVA, S.A. - Tokio Branch Office
Malta	4	3	41	65	14	Banking services	Garanti BBVA AS - La Valeta Branch Office
Mexico	1,141	1,492	5,592	10,344	43,500	Finance, banking and insurance services	BBVA México, S.A.
Netherlands	7	14	53	99	205	Finance and banking services	Garantibank BBVA International N.V.
Peru	222	163	599	1,484	6,516	Finance and banking services	BBVA Banco Continental S.A.
Portugal	6	(1)	45	103	427	Finance and banking services	BBVA, S.A. - Portugal Branch Office
United Kingdom	15	7	60	130	128	Banking services	BBVA, S.A. - London Branch Office
Romania	9	8	46	123	1,135	Finance and banking services	Garanti Bank S.A.
Singapore	3	3	20	23	15	Banking services	BBVA, S.A. - Singapore Branch Office
Switzerland	5	2	9	46	120	Finance and banking services	BBVA Switzerland S.A.
Taiwan	—	1	1	9	12	Banking services	BBVA, S.A. - Taipei Branch Office
Turkey	948	1,079	1,494	2,885	20,201	Finance, banking and insurance services	Garanti BBVA A.S.
Uruguay	18	19	49	183	573	Finance and banking services	BBVA Uruguay S.A.
Venezuela	2	37	82	157	1,788	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Total	**3,166**	**3,529**	**10,356**	**24,890**	**113,554**		

(1) Full time employees. The 39 employees of representative offices are not included in the total number.

The amounts of "Cash payments of corporate income tax" are highly conditioned and derive fundamentally from the methodology for calculating the instalment payments provided for in the regulations governing corporate income tax in the different geographical areas, producing differences between the instalment payments made in the current year and the refund of instalments from previous years that may result once the final tax returns have been filed. In this respect, it should also be noted that it is normal for there to be, differences between the amounts of "Corporate tax cash payments" and "Corporate tax expense", as the tax paid in the year is not necessarily directly related to the pre-tax profit existing in a jurisdiction, but takes into account the tax payments (and refunds) in respect of profits made in previous years, as well as the instalment payments made in the current year and the withholding of input tax. However, the "Corporate Income Tax Expense" for the current year is more directly related to the existing Profit before tax for a given year.

The results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

As of December 31, 2022, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.96%.

In 2022[1], BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

[1] BBVA disclosed by means of public relevant events: (i) on 07/27/2012 the closing of the acquisition of UNNIM Banc, S.A. and (ii) on 04/24/2015 the closing of the acquisition of Catalunya Banc, S.A.

Glossary

<table>
<tr><td>Additional Tier 1 Capital</td><td>Includes: Preferred stock and convertible perpetual securities and deductions.</td></tr>
<tr><td>Amortized cost</td><td>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.</td></tr>
<tr><td>Associates</td><td>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.</td></tr>
<tr><td>Baseline macroeconomic scenarios</td><td>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.</td></tr>
<tr><td>Basic earnings per share</td><td>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).</td></tr>
<tr><td>Basis risk</td><td>Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.</td></tr>
<tr><td>Building Block Approach (BBA)</td><td>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.</td></tr>
<tr><td>Business combination</td><td>A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.</td></tr>
<tr><td>Business Model</td><td>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.</td></tr>
<tr><td>Cash flow hedges</td><td>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.</td></tr>
<tr><td>Commissions</td><td>Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are:
· Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected.
· Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
· Fees and commissions generated by a single act are accrued upon execution of that act.</td></tr>
<tr><td>Consolidation method</td><td>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.</td></tr>
<tr><td>Contingencies</td><td>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.</td></tr>
<tr><td>Contingent commitments</td><td>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.</td></tr>
<tr><td>Control</td><td>An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following:
a. Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee’s returns.
b. Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor’s returns from its involvement have the potential to vary as a result of the investee’s performance. The investor’s returns can be only positive, only negative or both positive and negative.
c. Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor’s returns from its involvement with the investee.</td></tr>
</table>

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)	Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect: 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort. The expected credit losses must be measured as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate or an approximation thereof (forward looking).
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity’s business. It also includes all finance lease arrangements in which the 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	An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events: a. a significant financial difficulty of the issuer or the borrower, b. a breach of contract (e.g. a default or past due event), c. a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider, d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization, e. the disappearance of an active market for that financial asset because of financial difficulties, or f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
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: a. its assets, including any share of the assets of joint ownership; b. its liabilities, including any share of the liabilities incurred jointly; c. income from the sale of its share of production from the joint venture; d. its share of the proceeds from the sale of production from the joint venturer; and e. its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Lease liability	Lease that represents the lessee's obligation to make lease payments during the lease term.
Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.

Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a. it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b. the sale is considered highly probable.
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Non-trading financial assets mandatorily at fair value through Profit or loss	The financial assets registered under this heading are assigned to a business model whose objective is achieved by obtaining contractual cash flows and / or selling financial assets but which the contractual cash flows have not complied with the SPPI test conditions.
Option risk	Risks arising from options, including embedded options.
Other financial assets/ liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: a. It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b. The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity´s key management personnel. These are financial assets managed jointly with “Liabilities under insurance and reinsurance contracts” measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.
Other 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: 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. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Premium Allocation Approach (PAA)	This is one of the three measurement models for the valuation of 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: – 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. – Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.
Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a. representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions; b. material transactions between the entity and its investee; c. interchange of managerial personnel; or d. provision of essential technical information.

Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - without significant increase in credit risk (s*tage* 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 (s*tage* 2) and the third one, the impaired operations Impaired (s*tage* 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to s*tage* 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 s*tage* 2. However, when the loan is not flagged as forbearance it will be transferred back to s*tage* 1.
Statements of cash flows	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: · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Statements of changes in equity	The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "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.
Statements of recognized income and expense	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. The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts. 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".
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a. restricted activities. 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. c. insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d. financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.

Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a. an agreement that gives the parent the right to control the votes of other shareholders; b. power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c. power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tangible book value	Tangible Book Value represents the tangible equity's value for the shareholders as it does not include the intangible assets and the minority interests (non-controlling interests). It is calculated by discounting intangible assets, that is, goodwill and the rest of consolidated intangibles recorded under the public balance sheet (goodwill and intangible assets of companies accounted for by the equity method or companies classified as non-current assets for sale are not subtracted).It is also shown as ex-dividends.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in 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)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a. VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. b. VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. 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.
Variable Fee Approach (VFA)	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.
Watch List (WL)	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.
Write- off	When the recovery of any recognized amount is considered to be remote, this amount is removed from the balance sheet, without prejudice to any actions taken by the entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

Audit Report on Financial Statements
issued by an Independent Auditor

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

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

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

(Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails. See note 57.)

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

Audit report on the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

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

Estimate of impairment losses due to credit risk on the portfolio of loans and advances to customers at amortized cost	
Description	The Group's portfolio of loans and advances to customers at amortized cost presented a balance of Euros 358,023 million at December 31, 2022, net of valuation adjustments. Valuation adjustments included Euros 11,237 million of provisions for impairment losses due to credit risk, as disclosed in notes 7 and 14 to the accompanying consolidated financial statements. Estimating provisions for impairment on the portfolio of loans and advances to customers at amortized cost is important and complex. It considers a number of variables, such as classification of the financial assets, the use of measurement methods and models, and the estimate of assumptions used in the calculation. Allowances and provisions are calculated on both an individual and collective basis. This calculation requires high degree of judgment by management according to the principles and policies applied by the Group, as described in notes 2 and 7 to the accompanying consolidated financial statements. For the purpose of estimating impairment, financial assets classified as loans and advances to customers measured at amortized cost are classified into three categories or stages according to whether a significant increase in credit risk since their initial recognition has been identified (stage 2), whether the financial assets are credit-impaired (stage 3), or whether neither of these circumstances has arisen (stage 1). Establishing this classification is a relevant process for the Group as the calculation of allowances and provisions for credit risk varies depending on the stage in which the financial asset has been included. Individual estimates of impairment losses consider the borrower's payment capacity based on estimates of its future business performance and the market value of the collateral provided for credit transactions. Meanwhile, collective estimates of impairment losses are performed by means of internal models that use large databases, different macroeconomic scenarios, and present, past and future information. Estimating impairment losses is a highly automated and complex process that relies on segmentation criteria for exposures and the use of judgment in determining exposure at default (EAD) and the parameters of expected loss: probability of default (PD) and loss given default (LGD). The Group periodically recalibrates and performs contrast tests on its internal models and analyzes sensitivity to macroeconomic scenarios with a view to improving their predictive power on the basis of actual past experience. Additionally, as described in note 7 of the accompanying consolidated financial statements, the Group is exposed to risks derived from the macroeconomic, geopolitical environment or associated with pandemics such as COVID-19, which have increased with the outbreak of the conflict between Russia and Ukraine and increase the uncertainty around the variables considered by the Group in the quantification of impairment losses. Consequently, as described in note 7, the Group periodically reviews the effect of these situations on its estimate and, where appropriate, makes temporary adjustments to the results of the internal models to reflect the effects of the factors described above and that may not be identified in the general process of collective estimation of impairment losses.

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

Our response

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

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

- Credit risk management framework, including the design and approval of accounting policies, and of the methodologies and models for estimating expected loss.
- Classification of transactions into stages based on credit risk, whether or not there has been an increase in credit risk since their initial recognition or whether they are credit-impaired based on criteria defined by the Group.
- The methods and assumptions used to estimate EAD, PD and LGD and to determine the macroeconomic variables and the integrity, accuracy and updating of the databases used to calculate expected loss.
- The control framework on internal models for the collective estimate of impairment losses and the variables used to estimate impairment losses calculated individually.
- The governance framework on additional adjustments to impairment losses identified in the general process and, where applicable, adaptation of the estimate accordingly, considering uncertainties in markets deriving from macroeconomic scenarios and other geopolitical issues.
- Activities by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective impairment losses.

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

- We assessed the suitability of accounting policies applied by the Group in accordance with the applicable financial reporting framework.

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

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

Fair value measurement of financial instruments

Description	At December 31, 2022, the Group had financial assets and financial liabilities recognized at fair value that had been measured using valuation techniques as no quoted price in an active market was available. Therefore, they were classified, for measurement purposes, in levels 2 or 3, as disclosed in note 8 to the accompanying consolidated financial statements. In the absence of a quoted price in an active market, determining the fair value of financial instruments requires an estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models which involves a high degree of judgment by management. Therefore, we determined the estimate of fair value using this valuation method to be a key audit matter.

Our response

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

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

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

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

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

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

Application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to businesses in Turkey and recognition of the voluntary takeover bid for Türkiye Garanti Bankası A.Ş.

Description

In 2022, Turkey's economy was considered to have high inflation given the country's prevailing economic situation and the fact that cumulative inflation over three years was above 100%. Accordingly, the financial statements of the Group's entities in Turkey were restated to reflect the effects of inflation in accordance with IAS 29 "*Financial Reporting in Hyperinflationary Economies*". This restatement was made retrospectively as of January 1, 2022. Note 2.2.19 to the accompanying consolidated financial statements describe the criteria followed by the Group and the impacts on the consolidated financial statements at January 1 and December 31, 2022.

Applying this accounting standard is complex and involves a high degree of judgment by management regarding issues such as selecting a consumer price index, adjusting the historical cost of non-monetary assets and liabilities to reflect changes in general purchasing power of the currency due to inflation or the calculation of the loss on the net monetary position. Because of this and the considerable impact it has on the consolidated financial statements, we determined this to be a key audit matter.

In addition, after applying the said accounting standard on the opening balances at June 1, 2022, as described in note 3 to the consolidated financial statements, on May 18, 2022, the Bank announced the end of the acceptance period for the voluntary takeover bid, announced on November 15, 2021, for the shares it did not control in Türkiye Garanti Bankası A.Ş. ("Garanti BBVA") with the acquisition of a 36.12% stake in Garanti BBVA. The total amount paid by the Bank was approximately 22,758 million Turkish lira (approximately Euros 1.39 billion), including transaction costs and net of dividends received in proportion to the interest acquired. This resulted in a gain in equity of approximately Euros 924 million recognized under "Other reserves" in the accompanying condensed consolidated balance sheet. We have considered this transaction to be a key audit matter given the significance and the amounts involved, the accounting implications derived from it and the fact that it is a transaction outside the normal course of business of the Group.

Our response

We obtained an understanding of the process established by management for developing an accounting policy to apply IAS 29 "Financial Reporting in Hyperinflationary Economies" and for calculating and recognizing the effects of applying the policy to the financial reports of the businesses in Turkey. We also evaluated the design and implementation of the relevant controls established by the Group in that process and verified the operating effectiveness of those controls.

Moreover, we assessed the appropriateness of the accounting policy designed by the Group relative to IAS 29 and performed tests of detail to verify its application to the financial statements of the Group entities based in Turkey as at January 1, 2022 and December 31, 2022, and during the six months then ended. This entailed primarily:

- Evaluating the suitability of the consumer price index used.
- Recalculating the adjustment to the historical cost of non-monetary assets and liabilities to reflect changes in general purchasing power of the currency due to inflation and the calculation of the loss on the net monetary position.
- Checking the accounting treatment of the effects of those calculations.

In addition, we obtained an understanding of the process established by management for developing an accounting policy to recognize the voluntary takeover bid for Türkiye Garanti Bankası A.Ş. and for calculating and recognizing the related effects. We also evaluated the design and implementation of the relevant controls established in that process and verified the operating effectiveness of those controls. We also assessed the suitability of the accounting policy designed by the Group in accordance with the applicable financial reporting framework and performed tests of detail, which consisted mainly of (i) inspecting the supporting documentation of the acquisitions of shares of Garanti BBVA and comparing the prices considered by the Group with those effectively settled for a sample of days during which the window for acceptance of the takeover bid was open and (ii) recalculating the effects of the transactions on the Group's equity.

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

Risks associated with information technology

Description	The continuity of the Group's business operations is highly dependent upon its IT infrastructure. In this respect, the Group has a complex technological operating environment, with large data processing centers in Spain and Mexico providing support to the various countries in which the Group operates, as well as local data processing centers. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Group's financial information is processed correctly. In this environment, it is essential to assess issues such as the organization and risk management framework of the Technology area, which must ensure appropriate management of technological risks that could impact on information systems, as well as controls on physical and logical security and managing, developing and exploiting systems, databases and applications used in the financial reporting process. We have therefore determined the risks associated with information technology to be a key audit matter.
Our response	Within the context of our audit, we obtained an understanding, with the assistance of our specialists in information systems, of the information flows and the internal control environment of the Group regarding the operating systems, databases and applications involved in the financial reporting process. Our audit procedures included, among others, the following: ▶ Evaluating the risk management framework related to technological risks. ▶ Testing access controls and logical security to key operating systems, databases and applications for generating financial information. ▶ Testing controls over maintenance, development and use of applications and systems that are relevant to processing financial information. ▶ Testing automated controls operating in relevant processes used in generating financial information. ▶ Evaluating the design, degree of implementation and operation of the changes made by Management to strengthen access controls in the environment of certain applications, as well as testing compensating controls or other mitigating factors established by Management.

Other matters

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

Other information: consolidated management report

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

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

a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

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

Responsibilities of the Bank´s directors and the Audit Committee for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries for the 2022 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, which will form part of the annual financial report.

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

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

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in accordance with the ESEF Regulation.

Additional report to the Audit Committee

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

Term of engagement

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

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

(Signed on the original version in Spanish)

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

February 13, 2023