BBVA
Creating Opportunities

Annual Report
2023

Annual Report 2023

Contents

I. Letters from the Chair and the CEO

II. Management Report

- BBVA in brief
- Non-financial information report
- Financial information
- Risk management
- Other information
- Annual Corporate Governance Report
- Annual Report on the Remuneration of Directors

III. Consolidated Financial Statements and Auditor's Report

- Consolidated Financial Statements
- Notes to the accompanying Consolidated Financial Statements
- Appendices
- Auditor's Report

Letters from the Chair and the CEO

VIEW VIDEO

Letter from the Chair

CARLOS TORRES VILA

Dear shareholders:

A year ago, in this annual letter, I shared with you our conviction that the year would bring us greater opportunities than the challenges that remained. **2023 was** indeed **a year of significant growth and attractive profitability for BBVA** thanks to leading franchises in our main markets, the commitment of the team and our leadership in strategic pillars like innovation and sustainability. By growing profitably, we were able to **expand the positive impact we have on society in all countries where we operate, creating opportunities for all of our stakeholders: approximately 72 million customers, over 121,000 employees and all of you, our nearly 800,000 shareholders.**

LOAN PORTFOLIO

+7.6%

Our loan portfolio grew 7.6 percent from the previous year. This made it possible for 140,000 families to purchase their homes, and 550,000 SMEs and the self-employed, and over 70,000 large companies to boost their businesses, **thus contributing to job creation and fostering investment and social well-being.** Furthermore, throughout the year we channeled over €15 billion in financing to projects that foster inclusive growth, such as financing for sustainable infrastructure, support for entrepreneurship, financial inclusion and social mortgages.

NEW CLIENTS

>11M

In 2023, we increased our customer base, adding **more than 11 million new customers around the world**, a pace that more than doubles the rate from five years ago. This **enormous progression is the result of our pioneering, firm commitment to digitization**, making it possible for 65 percent of new customers to join the bank on digital channels. Today, over two thirds of our customers interact with us on smartphones and we sell practically 80 percent of all units on digital channels. And even more importantly for us, **our customers are more and more satisfied with the service we provide - a service that is essential for them**. This is demonstrated by our Net Promoter Score (NPS), which has increased 11 percentage points in the past five years.

NET ATTRIBUTABLE PROFIT

€8.02Bn

From a financial standpoint, 2023 was a very good year for BBVA. We posted our best results ever: €8.02 billion, a 26 percent increase over the net attributable profit in 2022. This progress is even more positive in terms of earnings per share, which rose 32 percent thanks to the share buyback programs that took place during the year. Yet another year, we **are one of the top European banks in terms of profitability**, with a return on tangible equity (ROTE) of 17 percent. **Our ability to combine high profitability with significant growth** in business and results is one of the aspects institutional investors found most remarkable following the 2023 earnings presentation. **It clearly sets us apart from our European competitors in both aspects.**

TOTAL DIVIDEND
PER SHARE IN CASH

€55cts. GROSS/SHARE

These excellent results lead us to propose to the Annual General Meeting the approval of a €0.39 cash dividend per share against 2023 earnings. Along with the €0.16 paid in October, it adds up to a **total gross dividend per share of €0.55, 28 percent higher than in 2022.** Furthermore, **we will launch a new share buyback program in the amount of €781 million.**

SHARE BUYBACK PROGRAM

€781M

Taking these figures into account, **we will have distributed nearly €13.2 billion to our shareholders since 2021. Once the new share buyback program has been executed, we will have redeemed 14 percent of our shares,** with the corresponding positive impact on share prices.

Strong business performance also translated into significant **value** creation **for our shareholders** in 2023, with a net tangible book value per share plus paid dividends surpassing 20 percent for the year, a truly exceptional figure. Our share performance in 2023 was also very remarkable, with an **appreciation in our share price of 57 percent** (including dividends received throughout the year) - a figure that **more than doubles the average of our competitors** in Spain and Europe.

As I mentioned above, **our profitable growth has also translated into greater contributions to society,** beyond the positive impact on customers and shareholders. This is clearly reflected in the way our income is distributed. We use nearly 60 percent of our yearly income to pay the salaries of the over 121,000 employees that make up BBVA; pay suppliers, boosting the local economy; and for credit provisions to cover possible defaults. Of the remaining 40 percent, which represents the pre-tax profit, we allocate one third (€4 billion) to corporate taxes - a direct contribution by the bank to social well-being; another third (€4 billion) goes to shareholder distributions; and the final third (another €4 billion) is reinvested to boost future growth by lending to our customers.

COMMUNITY COMMITMENT

€550M

Finally, in 2023 we also continued to make steady progress in our **Community Commitment. This entails allocating €550 million between 2021 and 2025 to social initiatives** to reduce inequality, create opportunities through education and support research and culture, **together with our foundations**. At the end of 2023, we had allocated over €410 million to this program - nearly 75 percent of our total commitment.

Looking ahead, we expect **2024 to be another year of growth for the global economy** despite the heightened uncertainty. Tensions in the Middle East and Ukraine persist; it is an election year in several countries; and inflation remains high. In the financial sector, the normalization of interest rates will help banking activity to continue to grow, although it is predicted to do so at a slower rate than last year. In addition, we have confidence in the strength of the markets where BBVA operates. In Spain, we expect GDP to grow close to 2 percent. In Mexico, we are expecting a slightly greater growth, about 2.5 percent, benefiting from its strategic position in the integrated market with the U.S. and Canada (positive impact of nearshoring). The long-term potential of Turkey stands out due to its young population and geopolitical situation, as well as South America for its demographic trends and increased opportunities in access to banking services.

In this context, BBVA is in a strong position to **take advantage of the opportunities related to innovation and sustainability - two key pillars of our strategy.**

Our **focus on innovation**, which has been a hallmark of the bank for many years now, allows us to continue to identify the trends that are transforming the financial industry. We were pioneers in our commitment to the digitization of our business, thus setting the benchmark in the sector for using new technologies and data to offer better service to our customers. Our outstanding ability to anticipate will continue to be an advantage in fields such as artificial intelligence, which we already use in internal processes (reading documents, contracts and writing code). In 2024, we expect to also use it to advise our customers, including the use of generative artificial intelligence on the bank's app. In line with this commitment, we created BBVA Technology in 2023, with the aim of further accelerating the Group's capacity for transformation. We also added 3,800 new professionals to our team in the fields of data and engineering.

The other main pillar of our strategy is sustainability, which is becoming increasingly important. **Decarbonization poses the greatest challenge that humanity has ever faced** - a challenge that transcends borders and affects all sectors. All companies need to have emission reduction transition plans, so our priority is to support our clients in this transition with advice and financing. This transition will gain momentum with the innovation in cleantech technologies, which also explains why decarbonization is a unique opportunity for innovation and entrepreneurship. Just as we pioneered investments in fintechs to accelerate our digital transformation, we are now investing in cutting-edge cleantech funds to provide better advice to our clients and generate more growth.

CHANNELED IN SUSTAINABLE BUSINESS

€70Bn

Sustainability is proving to be a greater business opportunity than we imagined, and currently represents a fundamental pillar of growth for the Group. In fact, last year we channeled over €70 billion in sustainable business - double the amount from two years ago and over five times the amount from five years ago. Since 2018, we have mobilized nearly €206 billion in sustainable business, exceeding the pace required to reach the target of €300 billion by 2025.

As a founding member of the Net Zero Banking Alliance, the bank also has its own roadmap toward decarbonization with the commitment to be carbon neutral in emissions by 2050, including the emissions financed for our clients. Therefore, we established intermediate decarbonization targets by 2030 for the sectors with the greatest emissions: oil & gas, power generation, the automotive sector, steel, cement and coal and in 2023, we added two more: aviation and shipping.

For the **fourth consecutive year**, BBVA received the best score in the category of European banks in **the Dow Jones Sustainability Index.**

As you can see, our winning strategy focused on innovation and sustainability has made our major accomplishments in 2023 possible, and it will ensure that **2024 is another great year for BBVA** - a year in which we expect to **continue growing with high profitability, and contributing to social and economic development.**

All of this was and continues to be possible thanks to the commitment and dedication of our team. I would like to thank them for their hard work day in and day out, and of course, all of you, our shareholders. Your trust and constant support drive us to continue working to make our purpose a reality: "To bring the age of opportunity to everyone".

Carlos Torres Vila
Chair

Letter from the Chief Executive Officer

ONUR GENÇ

Dear shareholders:

In an environment of uncertainty and gradual normalization of inflation, BBVA was able to produce its best results in history, once again demonstrating the strength of its diversified business model and the success of its strategy.

NET ATTRIBUTABLE PROFIT

€8.02Bn

In 2023, BBVA's net attributable profit rose to €8.02 billion thanks to the excellent performance of recurring revenue. Gross income, or the sum of the main sources of income from the banking business, ended the year with a year-on-year increase of 30 percent at constant exchange rates, i.e. without taking the impact of exchange rates into account.

The Group's **main geographic areas, Spain and Mexico**, contributed to this growth with an **improvement in customer spreads**, benefiting from the high interest rate environment and a strict management of costs, and an **increase in lending in Mexico**, concentrated in the most profitable segments.

EFFICIENCY RATIO

41.7%

This increase in income, well above the increase in expenses, has made it possible to improve the efficiency ratio by 370 basis points in constant terms from the previous year, reaching 41.7 percent. Therefore, **yet another year, BBVA continues to be one of the top banks in efficiency in our group of European peers.**

Operating income, or the difference between revenue generated and costs incurred, stood at €17.23 billion, up 39 percent compared to the previous year, not taking currency fluctuations into account.

The NPL ratio remained stable at 3.4 percent while the coverage ratio slipped slightly to 77 percent. Impairment on financial assets rose 34 percent, mainly due to greater provision needs in Mexico and South America, particularly in retail segments. As a result of the latter, the cumulative cost of risk increased to 1.15 percent, in line with our expectations.

ROTE

17%

Yet another year, BBVA's profitability metrics are well above the average of our European peers. In 2023, return on tangible equity (ROTE) reached 17 percent, compared to 15.2 percent in 2022, and return on equity was 16.2 percent in 2023, up from 14.4 percent the previous year. Value creation for our shareholders is also reflected in the tangible book value per share plus dividends, which reached €8.93, an increase of 20.2 percent from the previous year. This once again puts us ahead of our competitors.

CET1 fully loaded

12.67%

These strong results helped the bank to reach an excellent capital position, with a fully loaded CET1 ratio of 12.67 percent, above supervisor requirements and the Group's target range (11.5 percent to 12 percent).

In 2023, we made significant progress toward achieving the objectives established for 2024 at our Investor Day, and we expect to beat them by the end of this year. We will continue to focus on profitable growth and on being a unique bank for our customers, rooted in 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 2.5 percent. This has made it possible to grow our loan portfolio in the **most profitable segments:** private companies and consumer loans. Profit for the area rose to €2.76 billion, up 47.5 percent from the previous year, excluding non-recurring impacts from 2022, thanks to a strong performance of revenue from the banking business.

Mexico

The situation in **Mexico**, with GDP growth of 3.2 percent for the year, **helped to boost activity in all business segments**, with total loan portfolio growth reaching 10.9 percent, not taking currency fluctuations into account. This greater momentum in business translated into very significant growth in recurring revenue, which more than offsets the increase in costs in a high inflation environment. BBVA obtained a **net attributable profit of €5.34 billion** in Mexico, **17 percent more than the previous year**, not taking currency fluctuations into account.

Turkey

Turkey posted a net attributable profit of €528 million in 2023, 5 percent more than the previous year. This result was possible thanks to growth in commissions and fees and NTI, which helped to compensate for pressure on net interest income, as well as lower provisions. This result demonstrates the **strength of our franchise in the country** in a macroenvironment that continues to be complex despite the start of monetary policy normalization.

South America

In **South America**, lending rose 8.1 percent over the year, boosted by the retail portfolio, mainly due to the positive evolution of consumer loans and cards. The net attributable profit for the area was €613 million, 16.9 percent less than the previous year, impacted by the devaluation of the Argentine peso at the end of the year and the macroeconomic decline in Colombia and Peru.

In conclusion, BBVA's significant strengths have allowed us to produce excellent results. First, our **franchises are leaders in their respective countries**, with market shares that position them among the largest banks in each case. Second, our results reap the benefits of our **successful strategy. In fact, digitization** has allowed us to grow in customers and to provide them with a better service. And being **pioneers in sustainability has given us** a great business opportunity, which we are already starting to benefit from. Furthermore, it is very important to stress that these achievements are only possible thanks to the **best team**, BBVA's team. I would like to thank them for their hard work, dedication and commitment.

Finally, I would like to reiterate again this year my appreciation for all of you, our shareholders. Your support is fundamental for us to continue to lead the banking sector, and it encourages us to do our best each and every day.

Onur Genç
CEO

Management Report

Contents

1. BBVA in brief 2

1.1 Who we are 2

1.2 Highlights 13

2. Non-financial information report 15

2.1 Sustainability in the BBVA Group 16

2.2 Environmental 40

2.3 Social 81

2.4 Governance 130

2.5 Tables of Contents 139

2.6 Additional information 200

3. Financial information 225

3.1 BBVA Group 225

3.2 Business areas 246

4. Risk management 272

4.1 General risk management and control model 272

4.2 Credit risk 280

4.3 Market risk 282

4.4 Structural risks 283

4.5 Risks associated with climate change 286

4.6 Operational risk 286

4.7 Reputational risk 289

5. Other information 295

5.1 Alternative Performance Measures (APMs) 295

5.2 Organizational chart 309

5.3 Tables related to Article 8 of the European Taxonomy 310

6. Subsequent events 341

Annual Corporate Governance Report 342

Annual Report on Directors' Remuneration 343

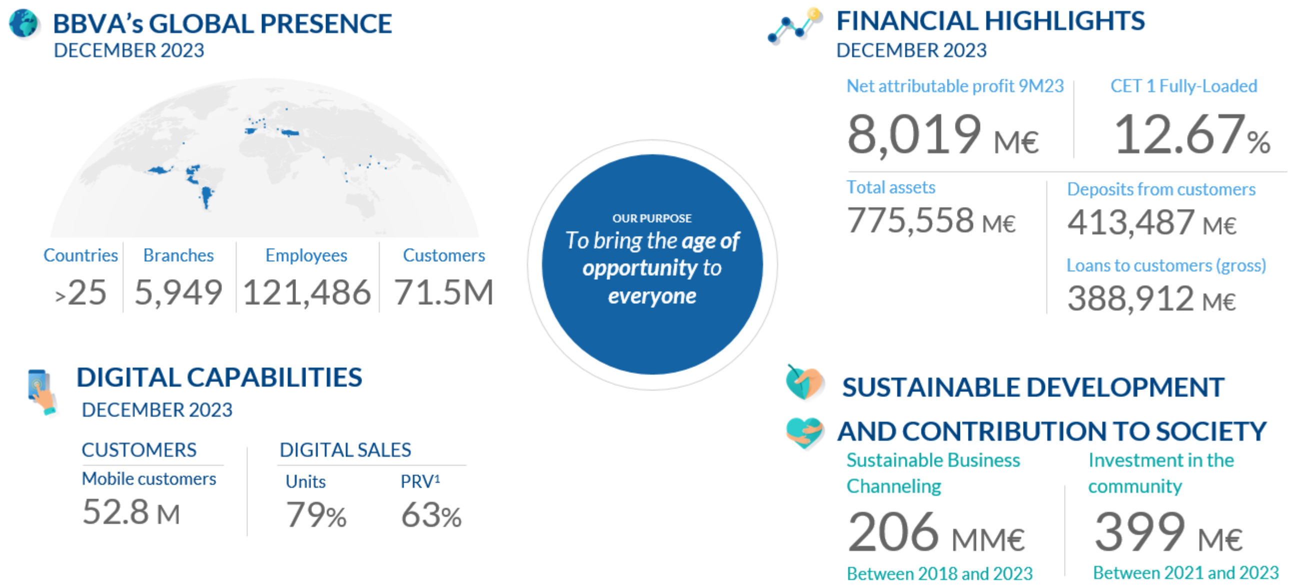
The figures in this BBVA Group Consolidated Management Report have been rounded. Therefore, it is possible that the amounts that appear in certain tables are not the exact arithmetic sum of the figures that precede them.

1. BBVA in brief

1.1 Who we are

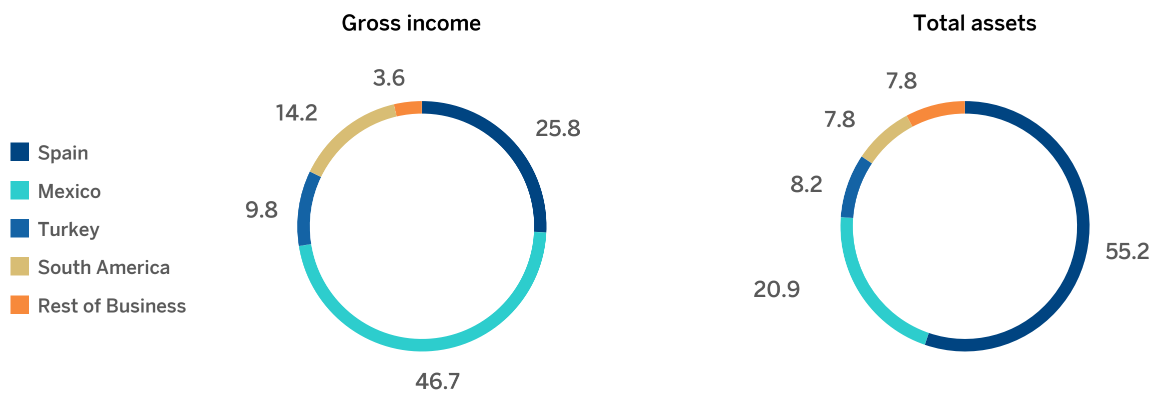
BBVA is a global financial group with a customer-centric vision, currently serving more than 71 millions active customers and having more than 121,000 employees.

BBVA operates in more than 25 countries, has a leading position in the Spanish market, is the largest financial institution in Mexico and boasts leading franchises in South America and Turkey. It also has an important investment, transactional and capital markets banking business in the USA.



(1) Relative Product Value (RPV) as an indicator of the economic representation of the units sold.

GROSS INCOME (1) AND TOTAL ASSETS (1) BREAKDOWN (PERCENTAGE. 2023)



(1) Excludes the Corporate Center.

RANKING OF LEADING FRANCHISES BY MARKET SHARE (PERCENTAGE. 2023) (1)

SPAIN	#3	13.8%
MEXICO	#1	24.7%
TURKEY	#2	18.3%
COLOMBIA	#4	11.4%
PERU	#2	21.1%

(1) Market share of loans as of October 2023 (Colombia), November 2023 (Spain, Mexico and Peru) and December 2023 (Turkey). Ranking considering main competitors in each country. Turkey only considering private banks.

The BBVA Group has always placed the customer at the center of its activity, as reflected in its Purpose: 'Bringing the age of opportunity to everyone':

- This Purpose translates into seeking a positive impact on customers' lives through personalized solutions and advice with an optimistic view focused on the future:
  - Understanding that the future is built on daily decisions, BBVA is committed to accompanying customers in their key life moments to help them make the best financial decisions and achieve their life and business goals. Accompany to help moving forward.
  - The pioneering commitment to sustainability is integral to this support, offering customers financing, advice, and innovative solutions in their transition towards a more sustainable and inclusive world. An example of BBVA's growing support is its goal to channel 300,000 million euros in sustainable financing for the period 2018-2025.
- The Purpose drives BBVA to continue leading the transformation of the financial industry through innovation and new technologies, key levers to achieve this support with a differential positive impact on customers and society in general.
- This leadership in innovation is reflected in BBVA's differential digital capabilities. Close to 53 million Group customers regularly use mobile channels to interact with BBVA, and 79% of sales are already conducted through digital channels.

In 2023, BBVA has made significant progress in executing its strategy while continuing to lead the transformation of the banking sector. All this has allowed BBVA to continue making progress in creating opportunities for customers, employees, shareholders, and society at large:

- BBVA continues to break records in customer acquisition while maintaining satisfaction indexes in the top 3 in major geographies. BBVA's success is driven by digital leadership, but also by delivering the best service through branches or remote managers. BBVA aims to provide the best experience without leaving anyone behind.
- Sustainability, as a growth lever, has allowed us to channel around 70 billion euros in 2023.
- Over the years, BBVA has shown financial strength above its European peers. It is one of the most profitable (ROTE of 17.0% in 2023 compared to 13.4% of peers) and most efficient (efficiency rate of 41.7% in 2023 (52.2% of peers) banks in Europe.
- BBVA's differential profitability is accompanied by robust liquidity (LCR 149%[1] and NSFR 131%) and solvency (CET1 of 12.67%) ratios , well above regulatory requirements.
- BBVA has significantly increased the remuneration to its shareholders: BBVA will dedicate more than 4,000[2] million euros of 2023 results to the remuneration of its shareholders, equivalent to a payout of 50%. This, together with the excellent performance of the stock on the stock market, has led to the total return for BBVA shareholders (including the performance of the stock plus dividends, known as TSR), increasing by 57%, more than double that of the previous year. case of European banks (+28%) and Spanish banks (+25%).

[1] Using a more restrictive criterion on this ratio (limiting the LCRs of all BBVA, S.A.'s subsidiaries to 100%).
[2] Includes €16 cents (gross) in October 2023 already paid, and €39 cents (gross) in April 2024 (pending approval from the governing bodies), and the Share Buyback Program for an amount of €781 million, equivalent to €13 cents/share (pending approval from the governing bodies and subject to mandatory regulatory approval).

BBVA's good performance in financial indicators contributes to generating greater returns for society, families, and businesses as well as own employees:

- In 2023, BBVA granted more than 140,000 mortgages for families to buy a home, supported SMEs and self-employed individuals with over 550,000 loans to grow their activity. without forgetting the financing to large companies to foster their growth, which amounted to, 70,000 loans.
- Additionally, the Group allocated around 15.5 million euros to finance inclusive growth initiatives, such as the construction of hospitals and schools, to ensure that growth reaches the entire society.
- Likewise, it is worth highlighting BBVA's commitment to its more than 121,000 employees, reflected in the Gallup survey results measuring employee satisfaction and commitment, which have reached a score of 4.43, which is +0,06 points higher than in 2022 and places BBVA in the top quartile globally compared to other companies.

Ultimately, these results have allowed BBVA to advance in its strategic objectives and in its ambition to be a larger scale and more profitable bank, a differential bank for our customers with a unique value proposition, and to continue to lead in efficiency.

1.2 BBVA Group strategy

The current environment continues to be marked by uncertainty with significant repercussions on geopolitics and the global economy, The Russia-Ukraine war, the Israeli-Palestinian conflict and increasing polarization between blocs are slowing economic growth and increasing risk aversion.

The fight against inflation through the tightening of monetary policies is also not helping to boost economic activity in general, reducing credit demand and putting pressure on risk indicators.

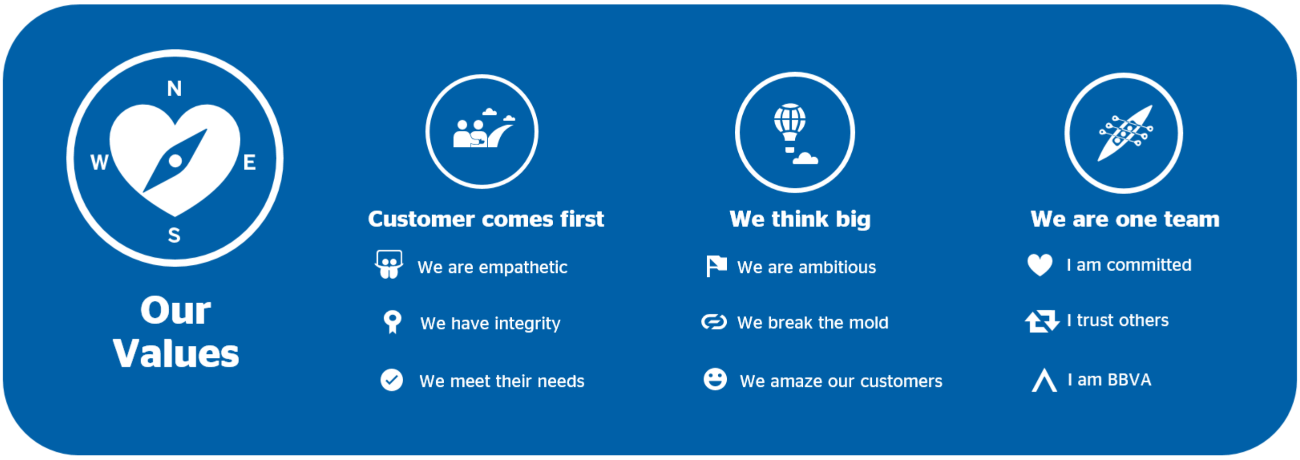
The uncertainty of the short-term environment has in no way slowed down the consolidation of the long-term global trends on which BBVA´s strategy is based and which play a critical role in the transformation of the economy: digitalization, innovation and sustainability, both from a decarbonization and inclusive growth perspective:

- Digitalization continues to consolidate with an increasing presence in all economic sectors. The growth potential is evolving towards a value proposition and personalized advice with a positive impact on the customer´s life beyond a pure digital offering.
- Major trends in innovation, such as artificial intelligence, will make a difference:
  - 2023 has been the year in which generative artificial intelligence has shown in a very preliminary way its great potential for disruption in multiple economic sectors, revolutionizing the relationship with the customer, automating processes and changing the ways of working to increase productivity.
  - Other technologies such as blockchain quantum computing, cloud processing, continue to advance and generate a real era of opportunities for society at large.
- The decarbonization of the economy is consolidated as the greatest economic opportunity and disruption of the last century and one of the main challenges facing humanity, where the banking sector has a key role in achieving zero emissions objectives.
  - The fight against climate change is already having a strong impact on the competitive dynamics of a multitude of sectors, which is expected to increase even more in the future.
  - The decarbonization of the economy is consolidated as the greatest economic disruption of the last century and one of the main challenges facing humanity, where the banking sector has a key role in achieving zero emissions objectives. It must be a joint effort and involve the entire society, both large and small companies and the end consumer.
  - Innovation and new technologies play a key role in achieving decarbonization objectives. Financing the transition and new technologies represent both a challenge and an opportunity for the banking sector.
  - On our path towards sustainability, decarbonization is just one of the drivers to recover our ecosystems and protect biodiversity. It is key to continue working to preserve and expand natural capital.
  - Climate change has an effect on the lives of thousands of people who are exposed to its consequences (natural disasters, droughts, epidemics), which cause an increase in inequality. Along with plans to decarbonize the economy, robust plans are necessary that promote a just climate transition and guarantee economic and social inclusion for all.

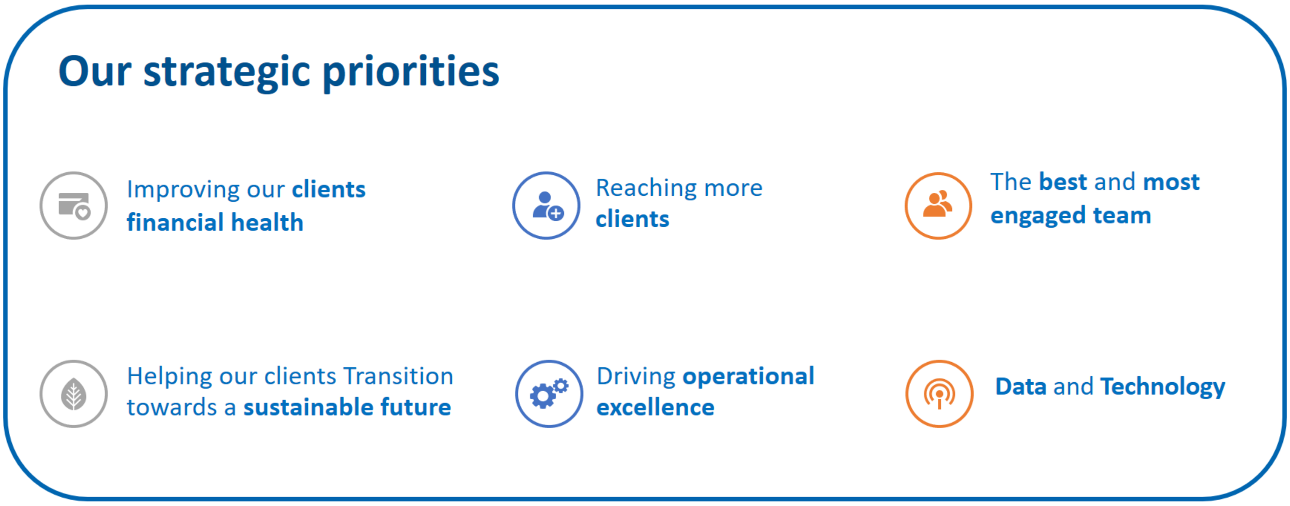
BBVA's strategy encompasses these trends that are transforming the world. A strategy that revolves around a single Purpose: “To make the opportunities of this new era available to everyone”, always with the customer at the center of the BBVA Group's activity. Likewise, the Group is based on solid values: the customer comes first, we think big and we are a single team.

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

These values, along with the Purpose and the strategic priorities, guide all decisions and are in the DNA of all the people who form part of the BBVA Group.



Guided by its Purpose and values, BBVA's strategy is structured around six strategic priorities:



During 2023, BBVA has made considerable progress in the execution of the strategy:

1. Improving our clients financial health

BBVA's Purpose is closely linked to having a positive impact on the lives of its customers. For this reason, BBVA has been developing functionalities, experiences and tools for years to accompany customers in their daily lives thanks to the use of new technologies, the responsible use of data and the solid experience of its human team.

BBVA wants customers to be aware of their income and expenses, classified by categories, so that they can set spending limits and track them, even anticipating information about next movements.

Likewise, BBVA helps customers set savings goals and facilitates automatic rules to meet these objectives. In this way, the goal is to turn savings into a habit.

BBVA also offers updated information on your debt capacity, the maximum level allowed and the current status of your debt. In this way, customers can know what is the responsible and sustainable debt limit they can assume.

In short, BBVA helps customers plan to meet their goals and live with peace of mind throughout all stages of their lives through comprehensive advice and knowledge that allows for better wealth management.

The Group is already seeing the success of the different initiatives that seek to help improve the financial health of customers:

- Six out of every ten customers globally who connect via mobile interact with financial health functionalities.
- This is also reflected in a better Net Promoter Score (NPS) among users of financial health functionalities. In Spain in 2023, the NPS of users of this functionality was 8 percentage points higher than that of other customers.

For more information about BBVA's customer strategy, see section “2.3.2 Customers” of this report.

2. Helping our clients transition to a sustainable future

Sustainability for BBVA is "helping our customers in the transition to a sustainable future" by promoting environmental protection, economic growth and social development. BBVA contributes to various SDGs through: the development of its business generating positive impact thanks to the multiplier effect of banking, the direct impact of its activity, as well as through its investment in the community.

Climate change requires the decarbonization of the economy, a fact that impacts all industries and the way in which customers move, consume or condition their homes, requiring significant investments that will last for decades to come.

Additionally, climate change and human action are stressing natural capital (water, crops, raw materials...), making it increasingly relevant for clients to ensure the availability and continuous quality of essential resources for the production and provision of services.

Finally, there are still great inequalities in the world, which may be increased by the effects of the economic transformation implied by the efforts of decarbonization or the destruction of natural capital. BBVA can play a fundamental role in the development of inclusive growth through the banking penetration of the population and financial education.

BBVA's sustainability strategy has a roadmap with two clear objectives:

- Promote new business through sustainability with a global and holistic approach in the field of global warming, natural capital and the social sphere: BBVA aims to reach 300 billion euros of sustainable business (2018-2025)[3] having reached to the figure of 206 billion as of December 31, 2023, around 70 billion in the year.

  In climate action BBVA has mobilized in 2023 around 54 billion euros, earmarked, among others, for the electrification of industry, energy efficiency measures, the development of renewable projects and the promotion of solar self-consumption, and the transformation of the transport and logistics sector.

  Additionally, the Bank has an opportunity in the development of inclusive growth, which represents around 22% (more than 15 billion euros) of the entire sustainable business pipeline in 2023.

- Achieve net zero emissions in 2050 (Net Zero) with sectoral decarbonization plans in those sectors most relevant to decarbonization: BBVA has intermediate decarbonization targets (year 2030) that include the oil and gas, power generation, automobiles, cement, steel, coal and in 2023 has incorporated targets for the aviation and shipping sectors.

  The monitoring of intermediate decarbonization targets is done through alignment methodologies that help to understand how financial flows contribute to emissions reductions. These metrics are benchmarked against the reference provided by climate change scenarios and, in conjunction with these, allow the design of sectoral alignment plans. These plans help define commercial strategy with customers and guide selective growth based on risk considerations and business opportunities, as well as the evaluation of customers' own transition plans.

BBVA's leadership in the area of sustainability is reflected in the fact that, for the fourth consecutive year, it has obtained the best score in the Dow Jones Sustainability Index 2023 in the category of banks in the European region and the third best score globally (see section "2.6.4 ESG analysts and ratings").

BBVA's progress on its ESG strategy and objectives is detailed in section "2.1.1 ESG strategy and objectives" of this report.

3. Reaching more customers

BBVA seeks to grow by positioning itself wherever customers are, both through its own channels and through channels and agreements with third parties. All this without losing focus on profitable growth, focusing on the most relevant product verticals and value segments. Likewise, BBVA continues to make progress in its commitment to growth in new business models with a medium and long-term growth horizon.

The main initiatives in customer acquisition (own and third-party channels, value verticals and innovation) and their progress in 2023 are:

Own and third-party channels

During fiscal year 2023, the Group attracted 11.1 million new customers through its own channels. As a consequence of the improvement in digital capabilities, customer acquisition through these channels has continued to increase steadily in recent years and, in 2023, it broke another new historical record, reaching more than 7.2 million, which represents 65% of total new customers (+211% since 2019). For their part, mobile customers have grown by 84% since December 2019, reaching 53 million, 74% of the total. Digital sales already represent 79% of the total units sold.

The strong growth in customers is accompanied by a high level of satisfaction, with an NPS in the top 3 in all geographies where BBVA is present.

[3] It considers as a sustainable business channel any mobilization of financial flows, cumulatively, in relation to activities, customers or products considered sustainable or that promote sustainability in accordance with both internal and market standards, existing regulations and best practices. For more information, see section "2.1.3 Sustainability in business development - Channeling sustainable business".

Customer growth and satisfaction translates into a greater volume of business thanks to greater cross-selling and therefore a strengthening of the relationship with customers. For example, in Spain, 73% of new customers become Target Customers[4] within six months.

BBVA is also committed to attracting customers through third-party channels through Open Banking and integrated finance to facilitate a complete experience. To this end, BBVA has expanded the offering of financial services through Application Programming Interfaces (APIs - Application Program Interface) in Spain, Mexico and Peru. As an example, in 2023, 42 alliances with third parties via APIs have already been made in Spain.

Driving segments, product verticals and value divisions

In pursuit of profitable growth, BBVA focuses on acquiring customers in high-value segments and in relevant product verticals and divisions to drive the Group's results: small and medium-sized enterprises (SMEs), international corporate banking, payments, insurance, private banking and asset management, and the Group's Corporate & Investment Banking area. The main developments are described below:

Small and medium-sized enterprises

Revenue generated in the SME segment has contributed more than 4 billion euros to the BBVA Group's gross margin (+42% compared to 2022) as a result of a compound annual growth rate (CAGR) of 15% over the last 4 years. All this, together with a growth of 234 thousand customers in the year, confirms the position of SMEs as a key segment.

The Group is working on developing a global value proposition to improve the customer experience, focusing on the digitalization of services and facilitating online operations. Efforts have continued to drive risk models, as well as remote and digital capabilities. All this with a tangible impact:

- Pre-approved credit offers increased 19% over the previous year, positively impacting 1.9 million customers and representing one-third of originations.
- New credit in digital channels has increased 2-fold by 2023 (representing 19% of total credit originated) thanks to the Do It Yourself (DIY) solutions present in BBVA's six main markets. As an example, one of these levers has been the 100% digital solution linked to the POS, which is already available in 4 countries.

International business banking

The international Corporate Banking business continues to grow steadily, with a 50% increase in 2023 in the gross margin generated by companies and corporations outside their geography. This growth is the result of the BBVA Group's management model for this business, with specialized managers assigned to each of the companies, offering them high quality service and speeding up their entry into new markets.

On the other hand, the BBVA Pivot ecosystem for managing the treasury of these companies and large corporations continues with strong growth in customers of 23% in the year. Companies that use these services simplify their treasury management and also leverage BBVA's footprint, generating synergies between businesses in all countries, and therefore creating a great connection with BBVA. It is one of the greatest levers of growth as demonstrated through different indicators: BBVA Pivot's gross margin and commissions for treasury management have grown by 60% and 7% respectively in the last year. These figures account 35% of the total fees from international Corporate & Investment Banking and Corporate Banking customers.

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 merchants through the acquiring business and for individuals through cards and other payment solutions. In 2023, BBVA maintained its strong growth, increasing revenues by 20% compared to the previous year and driving the launch of new payment solutions.

With the acquiring business, BBVA seeks to be the partner of reference for merchants, with in-store payment solutions and also in digital/electronic commerce. Active commerce have grown by 11% and revenues by 25%. The following releases in 2023 are worth highlighting:

- In South America, BBVA has become an acquirer in Peru and Colombia.
- In the whole Latam region, BBVA has OpenPay, the payment services platform for merchants that is already established in Mexico, Colombia, Peru and Argentina.
- In Spain and Turkey, BBVA continues to grow with launches such as Tap-on-phone and a new value proposition to accept payments with Bizum (Spain) and the launch of a Payment facilitator focused on e-commerce (Turkey).

In the retail segment, BBVA continues to advance in its Aqua card strategy, the new generation of cards without printed numbers and with dynamic CVV that offer a differential experience and greater security compared to traditional cards. The number of Aqua cards has now reached 34.6 million, significantly reducing e-commerce fraud. BBVA also continues to lead the adoption of mobile payments with the launch of Google Pay in Argentina and Peru and soon in Mexico (Apple Pay was launched last year).

[4] Target customers are those customers 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 transactionality with BBVA.

In addition, BBVA remains committed to the development of new payment channels that facilitate the digitization and reduction of cash payments, participating in various existing industry solutions in all its markets (Bizum in Spain, Dimo in Mexico, Plin in Peru, Modo in Argentina...), integrating new use cases for sending money between people, and QR payments in commerce, and providing its customers with the best payment experience in the app.

Insurance

Insurance is a key product for providing comprehensive advice to customers and having an impact on their financial health. The Group is developing technical and service capabilities that allow it not only to serve customers better and better through innovation, but also to achieve sustained growth in premiums and net attributable profit. Proof of this is the deployment of advanced data analytics models that enable it to provide its customers with offers tailored to their specific needs at all times through its various channels. All in all, the estimated premium volume has grown by 26% in 2023 compared to 2022.

In the non-life line, in 2023, the Group continued to implement its strategic alliances with third parties in different countries (Allianz and Sanitas in Spain, BUPA in Mexico and Turkey, etc.). We have also launched modern and innovative servicing products and solutions in line with trends and best practices in the insurance industry, such as auto insurance with claims reporting and payment adjustment through digital channels, in SMEs offering protection against technological fraud in Spain, in health insurance in Mexico and Turkey with servicing through digital channels, as well as new home, auto and health insurance in Colombia, Peru and Argentina. On the other hand, new functionalities have been launched in the mobile application, such as "SOS", which provides immediate assistance for Auto and Home insurance claims, or claims appraisal solutions through the BBVA mobile application, which has led to a significant improvement in service times and satisfaction rates. Non-life premiums increased by 21.5% in the year.

In the life insurance business, the deployment and development of modular solutions adapted to customer needs continued in all geographic areas and the launch of new life and life savings products in the main markets, especially in Spain and Mexico.Life business premiums increased by 30.7% year-on-year.

Private banking and asset management[5]

In 2023, BBVA continued to strengthen and extend its model of personalized advice to Private Banking customers, mainly through three pillars:

1. Development of an increasingly global experience. Greater access to Private Banking solutions has been promoted through international platforms with a common advisory model, highlighting the case of Spain for international customers, and the development of a Private Banking unit in the United States to be launched in 2024.
2. Increased specialization and differentiation in the High Net Worth segment. For example, a new model for the Wealthy segment in Spain was rolled out in 2023, growing by 20 bankers, with a deeper and more personalized value offering and strengthening digital capabilities such as deferred signature for legal entities.
3. Extension of the Private Banking model to an increasing number of customers, thanks to the promotion of hybrid advice, strongly leveraged on remote capabilities and distribution models that benefit from BBVA's capillarity, as is the case of the growth of Private Banking and Wealth Management in Mexico, through specific spaces both in retail business offices and in corporate buildings. Likewise, Peru and Colombia have stood out in 2023 for the strengthening of their teams, value offerings and business models, in order to incorporate the highest-value customers of affluent banking into the Private Banking model.

Thanks to these initiatives, the number of customers has grown by 37,241 during 2023 and assets under management by 11,153 million euros.

With regard to Asset Management, 2023 was a year of strong growth in activity in most countries, thanks to the good performance of the markets and commercial dynamism with customers, driven mainly by fixed-income solutions in a context of higher interest rates. Also, in the commitment to sustainability, sustainability factors have been progressively incorporated into the investment and risk processes of most of the Group's assets under management, and progress continues to be made towards decarbonization objectives following the Group's membership of Net Zero Asset Managers.

However, gross fees generated by Private Banking and Asset Management amounted to 1,550 million euros in 2023 (up 8.1% year-on-year).

Corporate & Investment Banking (CIB)

During 2023, CIB has been one of the group's main growth vectors, developing its strategy through three fundamental pillars:

- Maximize cross-border activity thanks to the Group's geographic diversification and take advantage of opportunities arising from nearshoring (Mexico, USA and Asia), with initiatives to increase the customer base in key markets such as the USA. All of the above has allowed cross-border business to grow by more than 30% this year, accounting for more than 35% of CIB's total activity.
- Taking advantage of the opportunity offered by sustainability as a vector for business growth. Work has continued on the deployment of a coverage model with a more specialized sectorial focus, with the aim of enriching the strategic dialogue with customers based on a differential value proposition.
- Continue strengthening the value proposition to institutional customers in order to increase their relevance. This has led to very positive revenue growth in this segment, with an evolution of more than 20% this year.

[5] Private Banking and Asset Management quantitative data as of November 30, 2023, except December 2023 customer data.

Thus, by the end of 2023, CIB accounted for approximately 16% of the Group's total gross margin, increasing revenues by 35% in the last year.

Innovation is a key factor for the long-term profitable growth strategy

One example of the importance of innovation in the profitable growth strategy is through purely digital banks to grow in new and attractive markets:

- The launch of the 100% digital business in Italy is exceeding initial forecasts, with almost 375 thousand customers by the end of 2023 thanks to the support of BBVA's infrastructure and mobile app in Spain. Today BBVA Italy is ranked as the fourth best bank in the country ahead of many traditional and native financial institutions according to the World's Best Banks ranking conducted annually by Forbes and Statia.
- BBVA also has strategic holdings in purely digital banks outside its traditional markets, such as Atom in the UK and Neon in Brazil.

It is also worth highlighting the great advances of BBVA Spark in 2023, which BBVA launched in 2022 to be the bank for innovative companies with high growth rates that are defining the future, with a scalable, innovative and technology-based business model.

BBVA Spark is already present in four geographies after expanding from Spain and Mexico to Colombia and Argentina in 2023. It has more than 800 customers, has facilitated more than 250 million euros in financing and has accumulated at the end of the year, 675 million euros committed in private equity funds:

- Financing: BBVA Spark offers its customers a wide range of financial products and services with an agile and specialized relationship model, ranging from accounts, national and international collections and payments, online banking and insurance, to structured financing solutions tailored to the needs of companies according to their stage of development and maturity. Additionally, the financial offer is completed with a strong connection with the entrepreneurial ecosystem through Open Innovation, facilitating contact and access to the different participants.

- Investment: In addition, BBVA Spark has a team that leads all of BBVA Group's strategic investments in private equity funds. In 2023, BBVA's investment in funds has continued to focus on positioning itself in high-growth areas such as decarbonization and innovative entrepreneurship. Specifically, during this year, BBVA has committed to invest in 12 funds:

  - On the one hand, in four decarbonization funds: Just Climate, a new fund from Lowercarbon, SUMA and Decarbonization Partners. These funds invest in companies developing critical technologies for the decarbonization of the planet, as well as in industrial-scale projects to decarbonize high-emission sectors. See further details in section "2.1.1. ESG strategy and objectives".

  - In addition, BBVA has signed investment commitments in eight technology funds in Spain (Axon, Swanlaab, Bonsai and Life Extension), Latin America (Angel Ventures and Riverwood) and Europe (Kreos Capital and Atómico). These funds invest in companies related to business software, artificial intelligence, e-commerce, financial technology, technological solutions for the healthcare sector and cybersecurity, among others.

4. Pursue operational excellence

BBVA is committed to providing the best customer experience with simple and automated processes while maintaining our focus on robust risk management and optimal capital allocation.

BBVA continues to transform its relationship model to adapt to the change in customer behavior, with the aim of improving service, being more efficient and productive. To do this, it facilitates access to its products and services with simple processes. The role of the commercial network is increasingly focused on operations with greater added value for the customer, redirecting interactions with lower added value to self-service channels, which allows reducing unit costs and achieving greater productivity. BBVA has reduced the number of branches by 21% in the last four years, 46% in Spain. The cost of service and sales per Target Customer has also been reduced by 12% annually over the last 3 years while productivity continues to improve with a 20% increase in sales in terms of value per employee.

The transformation of the relationship model is accompanied by a change in the operating model, which focuses on process reengineering, seeking greater automation and improved productivity, as well as the speed of delivery of new products and functionalities to the market.

BBVA leverages its global reach to develop more efficient products and solutions that provide answers to customer needs. To this end, the Group has industrialized and homogenized 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 quickly exported to the rest, which has significantly improved time-to-market. -market, the quality of the solutions, the efficiency (it is built once for all countries) and allows us to provide our customers 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. This focus on operational excellence has led the Group to consolidate for another year its leadership position in terms of efficiency ratio, with 41.7% at the end of 2023 (15 basis points better than in 2022, in constant terms) while the average of European competitors was 52.2% at the end of September 2023 (latest data available).

Optimal capital allocation 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 per individual transaction. 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 2023 stood at 2.38%, 32 basis points above the end of the previous year. For more information on RORWA, see section "5.1 Alternative Performance Measures (APM)" in chapter "5. Other information" in this report.

5. The best and most committed team

The team is a key factor for success in the strategy. A diverse team, with a distinctive culture, guided by the Purpose and values of BBVA and driven by a talent development model that puts the employee at the center, based on trust, empowerment and transparency.

BBVA has a value proposition for employees around three pillars: Bank, Team and People, which in 2023 it has continued to promote through high-value initiatives for employees, which have allowed for continued positive progress in different areas of management. of people.

As an organization, the goal is to have the best and most committed team. BBVA's people management strategy is based on three key principles:

- Have a committed and proud team, who believes in BBVA's Purpose and lives the values.
- Be winners in its businesses through the attraction and development of the best talent, a high-performance culture, making the employee feel owner and responsible for their objectives at BBVA, the adequate training of the equipment and the use resource efficient.
- Create the best environment for talent, which is open and flexible, with a focus on employee well-being, which has the best advice and is inclusive and diverse, where everyone feels welcome.

In 2023, the Group has achieved an excellent result in the employee engagement survey (Gallup), exceeding the objective established for 2024 and improving the result for 2022 (4.43 and 76th percentile in 2023 compared to 4.37 and 72nd percentile in 2022).

BBVA remains firm in its commitment to inclusion and diversity, as demonstrated by the positive evolution of the percentage of women in management positions (34.7% as of December 2023 compared to 33.5% in 2022), aligned with the 2024 goal of 35%. Specific diversity initiatives have also been launched that have allowed the number of people with disabilities hired in the Group to increase by 38%.

During 2023, work has continued on strategic training on sustainability issues, to ensure that they have the necessary skills and knowledge for the proper execution of BBVA's strategy. The specific training programs for different groups of employees stand out with a total of more than 53,500 professionals having participated in training sessions on topics related to sustainability (see section "2.3.3 Employees").

6. Data and technology

Data and technology are clear accelerators of strategy. The commitment to the development of advanced data analysis capabilities, such as artificial intelligence, together with secure and reliable technology, makes it possible to create differential solutions that help to create competitive advantages.

The responsible use of data and new technologies also makes it possible to generate increasingly global processes that can be used in different geographies and are easily scalable, reducing the unit cost of processing.

Data and artificial intelligence

BBVA is a "data driven" company in which the quality and advanced integration of data, together with Artificial Intelligence, are key accelerators to achieve the differential positive impact on customers' lives that summarizes our Purpose.

The BBVA Group has a team of more than 5,400 data scientists, specialists and engineers, dedicated to developing this differential value proposition.

BBVA's data strategy is based on the following pillars:

- The quality and availability of data throughout the entire organization are the first pillar to build a differential proposal.
- Develop and enhance the use of advanced analytical models to offer, amongst other, hyper-personalized solutions for customers or also improve the relationship model through greater analysis and advisory capabilities for managers.
- Take advantage of the potential of generative artificial intelligence to improve customer service by optimizing the operations of all areas of the bank and at the same time analyzing the risks inherent to this new technology.

Technology

Technology is a key element to enable the transformation strategy. The objective is to create differential solutions for customers while executing operations in the most efficient and safe way possible, using the most advanced technological capabilities available. New technologies allow to generate global solutions that can be replicated in the franchises, which helps BBVA scale better and be a more efficient bank.

During 2023, we have continued investing and working on the resilience of the infrastructure with a significant reduction in the number of relevant incidents, which has resulted in better service levels for customers, while continuing to work on maintaining a facility in operation with high availability to guarantee business continuity in the event of potential unavailability events.

In reference to the protection of the Group and its customers, BBVA has created the new Financial Crime Prevention unit with the aim of increasing synergies between the Group's areas in charge of fraud prevention and money laundering. Likewise, the Group wants to keep the level of relevant security incidents at a minimum and continue to reduce fraud per active customer.

Likewise, throughout 2023, the banking platform has continued to evolve and Core Banking has continued to be transformed to be able to build banking functionality more quickly and efficiently, and accelerate the technological transformation of digital channels globally to guarantee the best customer experience. In addition, the data platform is being built in the public cloud, which will allow BBVA to increase the capacity to generate advanced analytics using the most modern technologies and with higher levels of operational resilience.

At the end of 2023, transactions processed in low-cost[6] technologies already represent more than 58% of the total transactionality of Spain, Mexico, Peru and Colombia, which is allowing BBVA to keep our processing costs stable in an environment in which transactionality is has doubled in the last 4 years.

The software development function has also continued to transform to be more productive, with initiatives such as 'ONE', which seeks to reinvent the way in which software is developed, making more than 18,000 software engineers work seamlessly. more collaborative and coordinated, sharing the best practices of the bank and the industry to create the most appropriate solutions for the needs of customers.

Thanks to this commitment to cutting-edge technologies, BBVA continues to be a reference within the industry in technological capabilities, always adapted to the needs of its customers.

Strategy evolution indicators (KPIs)

In order to monitor progress in the execution of strategic priorities, a set of strategic metrics or Key Performance Indicators (KPIs) have been defined.

These are both financial indicators linked, for example, to net attributable profit, tangible book value per share (TBV per share) or the efficiency ratio, and non-financial indicators, such as those related to customer satisfaction (NPS), growth in the number of target customers or the sustainable channeling of business.

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

[6] Considering only the transactions processed in our Global Data Centers: 66% in Spain, 67% in Peru, 56% in Mexico, 54% in Colombia, and 18% in Argentina. Transactions in Turkey are processed locally, 44% of which with low-cost technologies.

1.3 Highlights

2023 - BBVA registers the highest results ever | Net Attributable Profit **€8,019 Mn**

Excellent **core revenues evolution and activity growth**

NII + Fees	Lending activity
+27.0%	**+7.6%**
vs. 2022 (constant €)	vs. Dec 2022[1]

1 Variation at constant exchange rates. Performing loans under management excluding repos.

At the top of the **profitability** and **efficiency** rankings[1]

Efficiency Ratio	ROTE	ROE
41.7%	**17.0%**	**16.2%**

1 European Peer Group: BARC, BNPP, CASA, CABK, DB, HSBC, ING, ISP, LBG, NDA, SAN, SG, UCG. Peers data are based on reported figures as of 9M23. BBVA data as of 12M23.

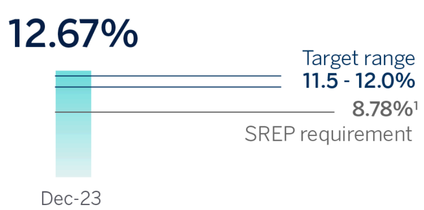
Risk indicators in line with our expectations

NPL ratio	NPL coverage ratio
3.4%	**77%**

Dec-23

Strong **capital position**

CET1 fully-loaded

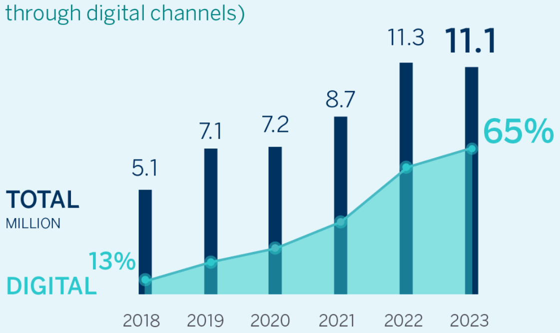


1 Includes the update of the countercyclical capital buffer calculated on the basis of exposure at the end of September 2023.

TRANSFORMATION

New customers[1]

(BBVA Group, Million: % acquisition through digital channels)

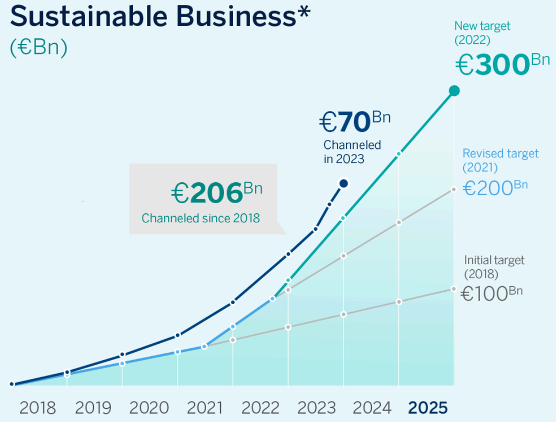


[1] Gross customer acquisition through own channels for retail segment. Excludes the US business sold to PNC.

SUSTAINABILITY

Sustainable Business*

(€Bn)



Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

#1 FOR FOURTH YEAR IN A ROW EUROPEAN BANKS RANKING

*Note: For the purposes of the Goal 2025, channeling is considered to be any mobilization of funds, cumulatively, towards activities, clients or products considered to be sustainable or promoting sustainability in accordance with 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, existing regulations, 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).

Key data and highlights by geographical area in 2023

SPAIN

- Growth in consumer loans, SMEs and public sector during the year
- Favorable evolution of recurring income
- Very relevant improvement of the efficiency ratio during the year
- Cost of risk remains at low levels

MEXICO

- Growth of all the segments in the loan portfolio, with greater dynamism of the retail segment
- Double digit year-on-year growth in all the income statement margins
- Favorable evolution of the efficiency ratio
- Excellent performance of the net attributable profit throughout the year

TURKEY

- The de-dollarization of the balance sheet continues
- Progressive improvement of the NPL ratio in the year
- The cost of risk remains at low levels during 2023
- Net attributable profit growth

SOUTH AMERICA

- Growth in lending activity focused on the retail segments
- Excellent evolution of the net interest income and of the NTI
- Improvement in the efficiency of the area
- Higher adjustment for hyperinflation in Argentina

Detailed information on the business areas is broken down in section "3.2 Business Areas" of chapter "3. Financial information".

2. Non-financial information report

In accordance with the provisions of 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 performance key indicators the BBVA Group has followed, as an international information framework, the Global Reporting Initiative (hereinafter, GRI) guidelines, in accordance with the latest version updated in December 2021, as well as on European Commission Guidelines on non-financial reporting, the regulation relating to the European Taxonomy (Regulation (EU) 2020/852 and the Commission Delegated Regulations 2021/2139 and 2021/2178 as amended by the Delegated Regulations (EU) 2022/1214, 2023/2485 and 2023/2486). To facilitate the location of the indicators, in section "2.5 Tables of Contents", the tables related to compliance with the requirements of Law 11/2018 and the GRIs are included, 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 support for transparency in terms of sustainability:

- 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.
- 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 “2.5.4 Index of contents of the Principles of Responsible Banking UNEP FI” of the chapter “2.5 Tables of Contents”).
- The Group's contribution to the United Nations Sustainable Development Goals (hereafter, SDGs) for the 2023 and 2022 financial years is included in the chapter “2.5.6 Contribution to the Sustainable Development Goals” of the chapter “2.5 Tables of Contents”.

The alignment with these initiatives or international standards is detailed in the section "2.5.5 Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards” of the chapter “2.5 Tables of Contents”.

[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 Sustainability in the BBVA Group

2.1.1 ESG strategy and objectives

2.1.2 Materiality analysis

2.1.3 Sustainability in Business Development

Channeling sustainable business

2.1.4 Dialogue and discussion with customers, industry and the public sector

2.1.5 The integration of sustainability in BBVA's financing structure

2.1.6 Governance model

Sustainability is governed by the principle of ensuring the needs of the present without compromising the needs of future generations, always without sacrificing environmental protection, economic growth and social development.

In accordance with its General Sustainability Policy, BBVA faces the challenge of "sustainable development" (or "sustainability" in general) from a holistic perspective, taking into account environmental, social and governance (hereinafter "ESG") aspects. For more detailed description of the General Sustainability Policy, see section “2.1.6 Governance model.

BBVA aims to generate a positive impact through the activities of its customers, its own activity, as well as its relationship and support to society, to make its Purpose of "Bringing the age of opportunity to everyone" and deliver on its strategic priority "Helping our customers in the transition to a sustainable future".

Environmental

The fight against climate change represents one of the greatest disruptions in history, with extraordinary economic consequences, to which all actors in our environment (governments, regulators, companies, consumers and society in general) must adapt. BBVA understands the environmental dimension of sustainability as the management of the impacts, risks and opportunities linked to the fight against climate change, the transition to a low-carbon economy and the protection and regeneration of natural capital.

Social

Companies are key players in the development and progress of societies. BBVA understands the social dimension of sustainability as the management of impacts, risks and opportunities in relation to its customers, employees, suppliers, communities affected by its activity and society in general.

Governance

Companies must conduct their business in strict compliance with the laws in force at all times, in a responsible manner and in accordance with strict canons of ethical behavior. BBVA understands the governance dimension of sustainability to be linked to business conduct, policies and regulatory and control frameworks on sustainability.

2.1.1 ESG strategy and objectives

BBVA has defined sustainability as one of its six strategic priorities, focusing on the fight against climate change and the protection of natural capital, and inclusive growth. To make the Purpose of "Bringing the age of opportunity to everyone", BBVA is committed to supporting its customers in the transition towards a more sustainable future.

The world lives in an era of unprecedented change and sustainability is a great short and long-term opportunity.

Decarbonization requires a structural technological transformation and progressive changes in demand that affects all industries, with global and immediate impact, and is entailing an unprecedented investment cycle. It is estimated that global investments of 275 trillion US dollars will be necessary until 2050, equivalent to an annual investment of 8% of world GDP[8].

Banks have a key role in financing this transformation and channeling funds towards decarbonization technologies that deliver long-term growth.

Additionally, there are still large inequalities in the world, which may be increased by the effect of climate change and by efforts to achieve decarbonization. Banks can play a fundamental role in the development of inclusive growth through financial inclusion, infrastructure financing and the generation of a business network.

Being a pioneer provides a competitive advantage

Be a pioneer provides a competitive advantage because it allows capturing a greater share of incremental business by having expert positioning and knowledge and developing differential management of the risks associated with the sustainability. Capturing this opportunity requires years to carry out a deep transformation throughout the value chain: strategy, policies and processes, business capabilities and risk management.

Convinced of the importance of being a pioneer, BBVA has placed sustainability at the center of its strategy since 2019 and has made relevant decisions that have accelerated its transformation process:

- Creation of the Global Sustainability Area at the highest level of the organization and focused on the business[9].
- Risk management that integrates sustainability as a relevant lever.
- Variable remuneration for all employees associated with the mobilization of sustainable business.

Sustainability at the center of BBVA's strategy: sustainability objectives

Sustainability is a central aspect of BBVA's strategy. The execution of said strategy rests on the achievement of of the main objectives:

(1) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as Loans, unused Revolving Credit Lines, Guarantees, ECA lines, among others). Data as of December 2023. Corresponds to high-emission sectors that include oil and gas, power generation, autos, steel, cement and aviation at BBVA Group level. The percentage of the loan portfolio does not include the coal sector for which BBVA has defined a progressive exit plan for 2030 in developed countries and in 2040 globally (in the terms of the Environmental and Social Framework), nor the shipping sector. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator (TRi). considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

[8] Source: "The net-zero transition: What it would cost, what it could bring", McKinsey & Company, 2022
[9] From 2023, the Global Sustainability Area and the Corporate and Investment Banking (CIB) business area have the head to continue advancing in the integration of sustainability in business.

Promoting new business through sustainability

BBVA applies a holistic vision of sustainability that covers the following three dimensions in all the geographies where it operates:

- Climate: Business opportunities in relation to limiting global warming: electric transportation, energy efficiency, renewable energy, etc. (more information in section "2.1.3 Sustainability in business development").
- Natural Capital: Business opportunities in relation to positive nature: agriculture, water, recycling (more information in section "2.2.2 Management of risk associated with climate change and environmental factors").
- Inclusive growth: Business opportunities in the social field: inclusive infrastructure, entrepreneurship and financial inclusion, among others (more information in section "2.1.3 Sustainability in business development").

BBVA promotes the creation of new business around sustainability with three priorities:

1. Promotion of the development of sustainable financial solutions and personalized proposals to customers to capture incremental business opportunities related to sustainability, with a differentiated approach for each customer segment:

    a. Wholesale customers (corporate and institutional): sector solutions based on innovation and the development of specialized knowledge focused both on the opportunities of the transition towards more sustainable production models, and on the customer's contribution to inclusive growth.

    b. Business customers: proposals focused on simple and scalable solutions that allow potential economic savings, for example in energy efficiency issues or fleet renewal.

    c. Retail customers: personalized digital solutions based on data analytics for the mass consumer market with a focus on energy savings in the customer's home, solutions for their mobility or financial and social inclusion, .

    Additionally, BBVA, through BBVA Asset Management (hereinafter, BBVA AM) and its asset managers in the geographies where they operate, offers sustainable investment solutions for its customers.

    For more information on the above, see the breakdowns on sustainable products or products that promote sustainability in section "2.1.3 Sustainability in business development".

2. Development of differential risk management capabilities:

    Starting from a low exposure to sectors with high carbon emissions[10], BBVA focuses on promoting incremental business thanks to its competitive advantage in sustainability based on differential knowledge on risk management to advance the dialogue with customers. This allows you to capture business opportunities while managing the risk. For this, specific risk frameworks are being developed to support new business (e.g. new sustainable technologies) and defining a strategic plan to attract new customers based on their level of transition.

    Furthermore, the Group continuously develops their capabilities through the creation of advanced tools and the continuous training of their risk teams. It is worth noting that in 2023, 95% of the loan portfolio in sectors with high emissions has a Transition Risk Indicator (hereinafter TRi), of which 80%[11] corresponds to customers who progress in their transition and that as of December 31, 2023, more than 68% of the risk team is trained in sustainability[12].

3. Implementation of control processes:

    BBVA continually works on the definition and adaptation of processes to guarantee operational efficiency and adequate internal controls, including the definition of solid criteria to classify sustainable business, with a focus on data quality, the evaluation of non-financial risks and definition of mitigating measures.

    This implementation of processes is based on the full integration of sustainability in the organization with a solid governance model, as described in the section "2.1.6 Governance model". Furthermore, in the established remuneration system, Incentives linked to sustainable business are included for the commercial network and an annual variable remuneration linked to the promotion of sustainable business for all employees. From 2023, long-term variable remuneration is associated with decarbonization objectives for members of the identified group, including executive directors and senior management of BBVA. For more information on the inclusion of non-financial indicators in the calculation of annual variable remuneration, see the "Remuneration" section within the "2.3.3 Employees" section and the Annual Report on Remuneration of BBVA Directors.

In addition to financing the transition through its business, BBVA contributes to the development of new and innovative low-carbon technologies through investment commitments in climate funds focused on decarbonization. These funds invest globally in companies at the forefront of technological and climate innovation, seeking innovative solutions that help decarbonize the planet.

[10] 5.87% of the total exposure at BBVA Group level to sectors defined as High Transition Risk, with an exposure to this risk as high or very high (Oil and Gas, Power Generation, Autos, Steel, Cement, Coal mining and Transportation. Data as of 31 December 2023.

[11] Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as Loans, unused Revolving Credit Lines, Guarantees, ECA lines, among others). Data as of December 2023. Corresponds to high-emission sectors that include oil and gas, power generation, autos, steel, cement and aviation at BBVA Group level. The percentage of the loan portfolio does not include the coal sector for which BBVA has defined a progressive exit plan for 2030 in developed countries and in 2040 globally (in the terms of the Environmental and Social Framework), nor the shipping sector. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator (TRi). considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

[12] For more information on training initiatives in the area of sustainability, see "Training" within the "2.3.3 Employees" section of this report.

Specifically, in 2023, BBVA has made the following investment commitments:

- 20 million US dollars in Just Climate, a climate asset fund whose objective is to invest in high-impact solutions aimed at eliminating or reducing emissions from sectors that are difficult to abate and/or large CO_2 emitters, especially in the industrial field such as the of cement or steel.
- 4 million euros in Suma Capital, a Spanish infrastructure fund specialized in energy transition, circular economy, and specifically, in waste management to produce energy: biogas and biomethane.
- 25 million dollars in Lowercarbon, raising the total committed to 45 million US dollars. This fund is specialized in disruptive decarbonization technologies with great potential such as the capture, transport, storage and use of CO_2 (CCUs) or nuclear fusion.
- 25 million US dollars in the first fund of Decarbonization Partners, a joint venture of BlackRock and Temasek, which invests in both seed and more advanced stage companies whose activities and technology aim to accelerate decarbonization and the transition to a carbon neutral.

These investment commitments join the commitments made by BBVA in 2022:

- 10 million euros in Hy24, a fund specialized in projects that invest in the entire green hydrogen value chain.
- 10 million US dollars in Fifth Wall, a fund that invests in companies specialized in reducing and/or mitigating CO_2 emissions in the construction and real estate sector.
- 20 million US dollars in Lowercarbon fund, as mentioned above.

B. Achieving Net Zero Emissions by 2050

BBVA has developed a decarbonization strategy for portfolio alignment and a management model for monitoring decarbonization objectives and capturing business growth potential through:

- Sector alignment plans: to define a commercial strategy and guide selective growth based on risk considerations and business opportunities. For more information about these plans, see the section "2.2.3 Alignment of the loan portfolio with the Paris Agreement".
- Evaluation of customer transition plans based in the Transition Risk Indicator (TRi): with specific tools integrated into the business strategy and decision-making process.For more information about these plans, see the section "2.2.3 Alignment of the loan portfolio with the Paris Agreement".
- Integration into the transaction admission process: proactive and dynamic portfolio management, evaluating the impact of individual transactions.

BBVA recognizes that meeting decarbonization goals also depends on governments, regulators and supervisory bodies, through their public and/or sectoral policies. Collaboration between the financial sector and these actors is key to achieving an effective and lasting shift towards a cleaner and more sustainable economy.

2.1.2 Materiality analysis

BBVA carries out a qualitative materiality analysis to identify those environmental, social and governance issues that are significant for the Group and its stakeholders, taking into account in the analysis the double perspective of materiality, which underlies the NFRD and Law 11/2018, as well as in the GRI guide (December 2021 version). BBVA, based on this double perspective on materiality, identifies issues related to its business that could be currently or potentially affected by sustainability issues ("outside-in" perspective also known as "financial materiality"), as well as the way in which its activities could currently or potentially affect society and the environment ("inside-out" perspective also known as "impact materiality").

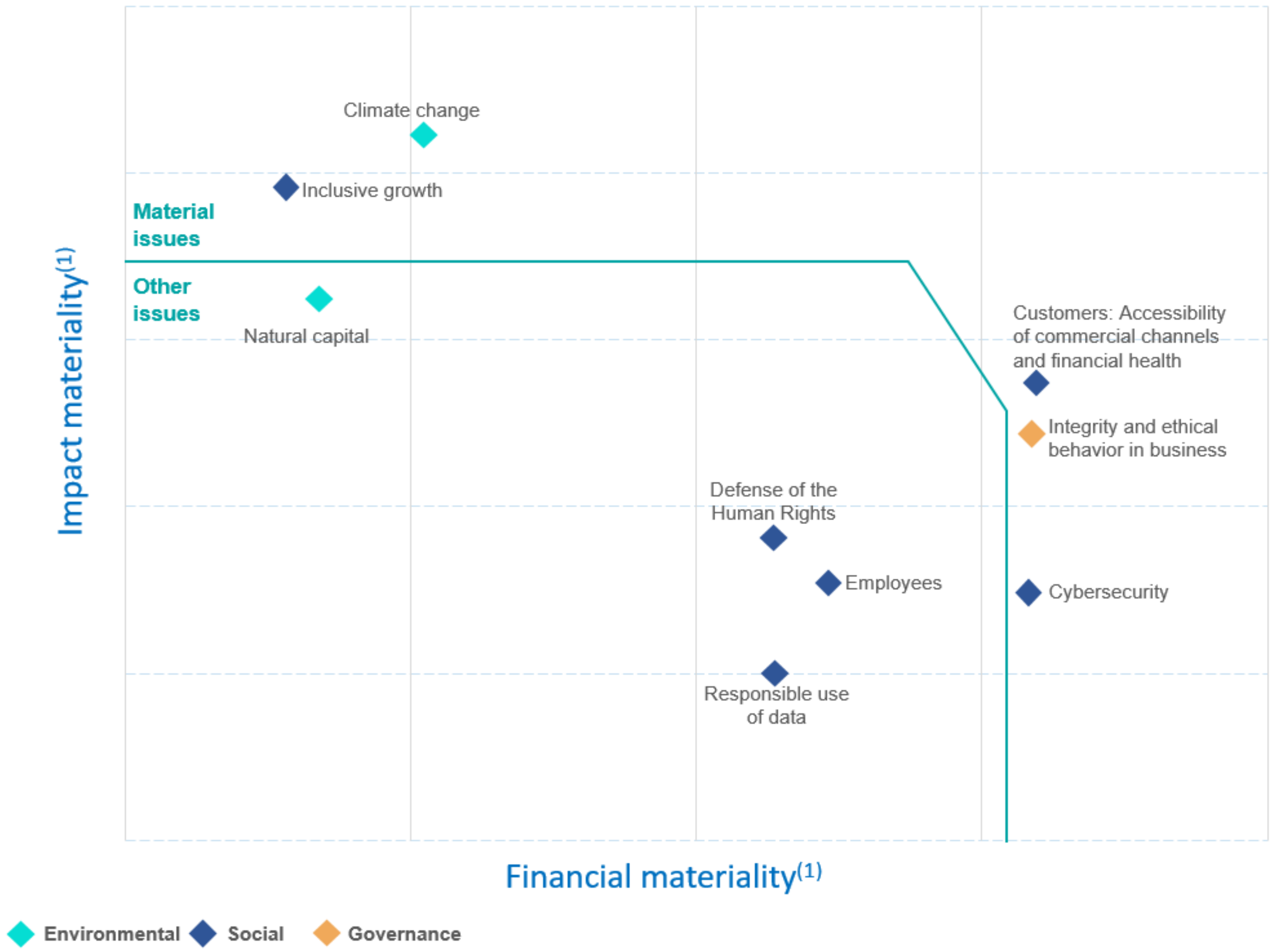
There are considered material those topics that could have a high probability of generating a significant current or potential effect on both the performance of BBVA and its stakeholders and its broader environment.

The results of this analysis are aligned with both the six strategic priorities and BBVA's Purpose and allow the identification and prioritization of BBVA's most significant internal and external issues for adequate monitoring and follow-up. The scope of this analysis includes the main geographic 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.

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

Materiality Matrix

As a result of this analysis, the issues with the most significant impact for BBVA's stakeholders and for BBVA are those that appear in the following matrix:



[1] Based on qualitative analysis conducted to recognize both the "outside-in" perspective also known as "financial materiality," as well as the "inside-out" perspective also known as "impact materiality."

Main results and evolution compared to 2022

The materiality analysis carried out in 2023 had as its starting point the year carried out in 2022 and represents an evolution of it.

The most notable material issues in 2023 are the following:

- Climate change: adequate management of measures aimed at adapting to the consequences of climate change through the establishment of policies, as well as the identification and management of climate risks and opportunities. To this end, decarbonization goals have been defined for the company's footprint and portfolio in line with the objectives of the Paris Agreement and work is being done on the inclusion of sustainability criteria and specifically climate change criteria within the credit analysis of the companies. operations with customers.
- Inclusive growth: adequate management to promote access to financing sources for vulnerable or low-income people and small businesses/professionals with fewer resources, accompanied by financial and digital education actions to promote responsible banking and informed decision-making. To achieve this, products are developed with the help of new technologies, which allow access to new, previously inaccessible markets. Additionally, BBVA seeks to support governments and companies to promote employment and local development of the territory and communities, as well as to promote the development of society through philanthropic activities.
- Customers: adequate management of the simplicity, agility, speed and self-service of commercial channels, innovation and digitalization of the service. Likewise, BBVA works to offer solutions that promote the financial health of customers, taking care of their finances and offering proposals or solutions for issues that are more complex or that require greater specialization.
- Integrity and ethical behavior in business: appropriate management to establish an environment of business integrity and ethics, ensuring compliance with regulations and the establishment of internal policies, standards and procedures and other control measures to prevent and manage risks linked to anti-competitiveness and monopolistic practices, market abuse, corruption and bribery and money laundering, among others. In addition, BBVA works to prevent and manage conflicts of interest, adequately address the interests of customers through transparent communication and the prevention and detection of bad sales practices, among others.
- Cybersecurity: adequate management of measures aimed at guaranteeing the security of the entity at the software and information security level that prevent theft, attacks or alterations of any type, compromising the credibility and good work of the company..

Additionally, the analysis has identified four other issues that do not have the same relevance as the previous ones because it is considered, as a result of the analysis carried out, that they would have a lesser effect on the environment and BBVA's interest groups, or that the effect that the environment and its interest groups could have on BBVA's activity would be more limited:

- Natural capital: appropriate management of dependencies, impacts, risks and opportunities related to natural capital, including the development of products and services that support customers in the responsible use of resources, in the preservation or restoration of biodiversity and the ecosystems; sustainable use and protection of water and marine resources, prevention and control of pollution and transition to a circular economy. In relation to the Group's direct impact, improve efficiency in the use of resources (paper, water and energy) and the prevention and management of waste and pollution in order to reduce the environmental footprint.
- Defense of the human rights: adequate management of employment conditions including fair hiring and remuneration, occupational health and safety, forced labor, child labor, freedom of association and collective bargaining, equal pay or discrimination. Responsible supply chain of suppliers (environmental footprint, fair hiring, working conditions of its workers, discrimination, etc.). In terms of projects and products, the impact on human rights derived from credit activity is measured (with a focus on large corporate customers in sectors with great environmental or social impact) and the well-being of customers (accessibility, security, etc.) as well as respect for communities, environmental protection and inclusive businesses. Process management to prevent, mitigate and remedy potential violations.
- Employees: adequate management and integration of individual differences through the implementation of policies on discrimination, equality and diversity, as well as conciliation, work disconnection, well-being, prevention of occupational risks, safety and health of employees (physical and mental), freedom of association, relationship with unions. etc It additionally includes talent management, attraction, retention and development measures, with remuneration policies, competitive salaries, training, career plan, etc.
- Responsible use of data: appropriate management to protect the privacy and security of personal data from personal data leaks that pose a risk to the rights and freedoms of data subjects.

It should be noted that, with respect to the materiality analysis published in 2022, the number of issues has been reduced to a total of nine, with the issues “Solvency and financial results” and “Corporate governance and adequate management of all risks” being deleted as they are cross-cutting aspects included in each and every one of the issues identified.

Additionally, two 2022 customer issues “Simplicity, agility and self-service” and “Financial health and personalized customer advice” have been grouped into a single more holistic matter “Customers: Accessibility of commercial channels and financial health” and the two issues from 2022, related to employees “Commitment to employees” and “Diversity and conciliation” – have been included in a single issue “Employees” that encompasses issues related to measures aimed at properly managing people.

For more details on the sources used, the methodology used, as well as the indicators and objectives of these material matters for BBVA and its stakeholders, see section “2.6.1. Additional information on the materiality analysis” within chapter “2.6 Additional information”.

2.1.3 Sustainability in business development

BBVA is promoting the development of sustainable products or that promote sustainability to capture the incremental business it represents, and takes a differentiated approach for each customer segment. These segments include wholesale customers (corporate and institutional), business customers, and retail customers, in addition to the offer of sustainable investment products aimed primarily at retail customers through BBVA AM and its asset managers in the geographies where they operate..

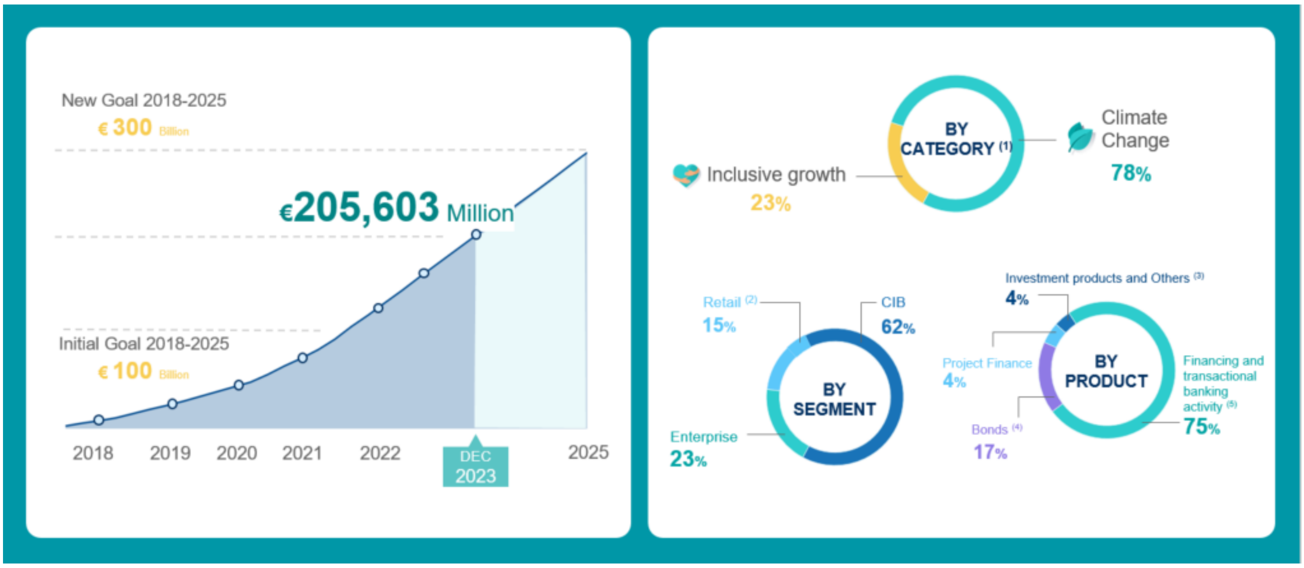
The development of products and services is accompanied by constant interaction and dialogue with customers, the banking industry and the public sector, to help integrate sustainability into their financial decisions, identify best practices and take into account the regulatory trends.

BBVA increased its 2025 Objective for channeling sustainable business in 2021 and 2022, tripling its initial objective and setting it at 300,000 million euros in the period 2018 - 2025.

Channeling sustainable business

Between 2018 and 2023, BBVA mobilized a total of 205,603 million euros in sustainable business , distributed as follows:

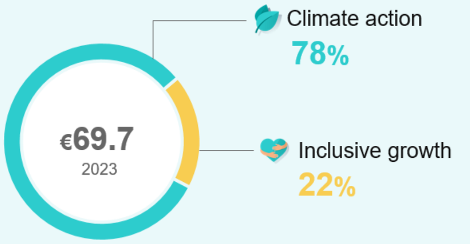
ACCUMULATED CHANNELING 2018-2023 (BBVA GROUP)



(1) In those cases where it is not feasible or sufficient information is not available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the available information.
(2) Includes the activity of the BBVA Microfinance Foundation (BBVAMF), which is not part of the consolidated Group and which has channeled around 7,700 million euros in the period from 2018 to 2023 to support vulnerable entrepreneurs with microcredits.
(3) Investment products art.8 or 9 under SFDR or similar criteria outside the EU managed, intermediated or marketed by BBVA. includes deposits under the Sustainable Transaction Banking Framework until its replacement by the CIB Sustainable Products Framework (both frameworks published on the bank's website), insurance policies related to energy efficiency and inclusive growth, and electric vehicle autorenting, mainly.
(4) Bonds in which BBVA acts as bookrunner.
(5) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market and best practices), such as those linked to environmental and/or social indicators.

CHANNELING 2023 (BBVA GROUP, BILLIONS OF EUROS)

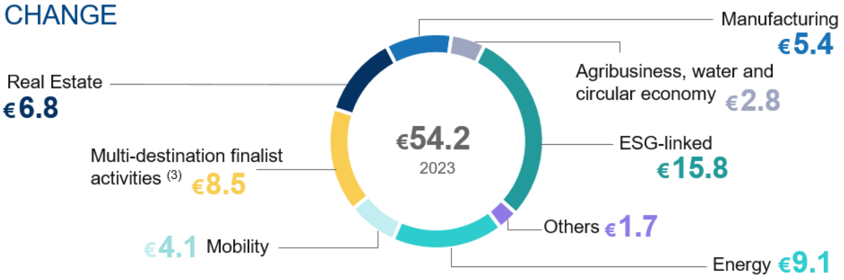
CATEGORY BREAKDOWN (1)



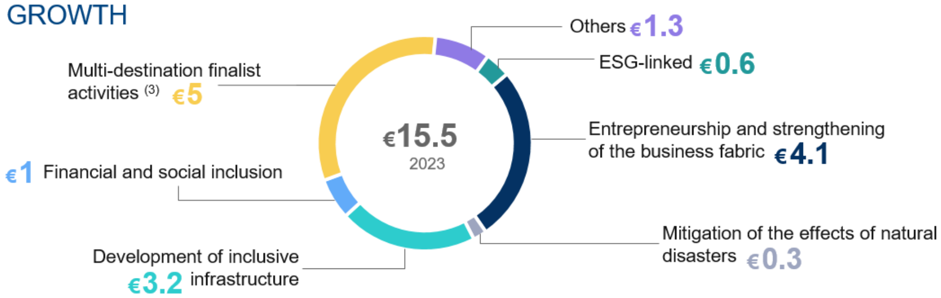
SEGMENT BREAKDOWN

BREAKDOWN BY AREA OF ACTIVITY

CLIMATE CHANGE

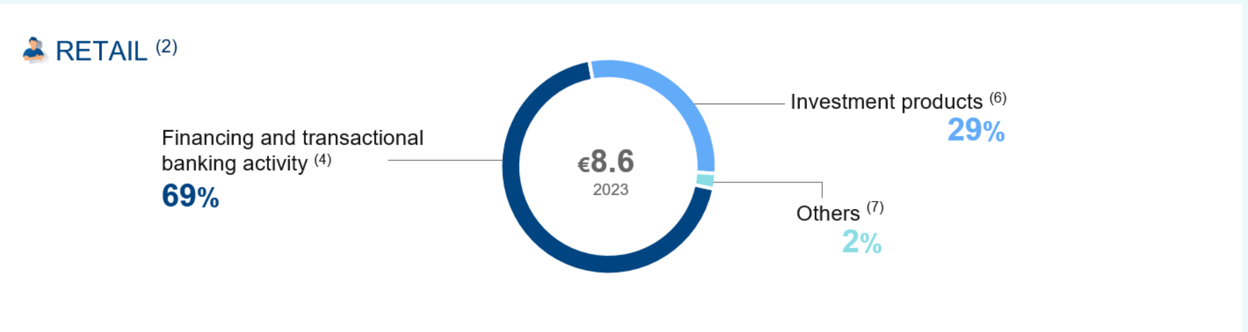


INCLUSIVE GROWTH



BREAKDOWN BY PRODUCT

CIB



(1) In those cases where it is not feasible or sufficient information is not available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the available information.
(2) Includes the activity of the BBVA Microfinance Foundation (BBVAMF), which is not part of the consolidated Group and which has channeled around 1,450 million euros in 2023 to support vulnerable entrepreneurs with microcredits.
(3) It covers more than one area of action, but with the information available it is not possible to make an exact assignment.
(4) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market and best practices), such as those linked to environmental and/or social.
(5) Bonds in which BBVA acts as bookrunner.
(6) Investment products art.8 or 9 under SFDR or similar criteria outside the EU managed, intermediated or marketed by BBVA. includes deposits under the Sustainable Transaction Banking Framework until its replacement by the CIB Sustainable Products Framework (both frameworks published on the bank's website), insurance policies related to energy efficiency and inclusive growth, and electric vehicle autorenting, mainly.
(7) Includes insurance policies related to energy efficiency and inclusive growth.

For the purposes of the 2025 objective, channeling is considered as any mobilization of financial flows, on a cumulative basis, in relation to activities, customers or products considered sustainable or that promote sustainability primarily in accordance with 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 Sustainability Linked Loan Principles of the Loan Market Association, existing regulations and best market practices. The foregoing is without prejudice to the fact that such mobilization, both initially and at a later time, may not be recorded in the balance sheet. To determine the amount of sustainable business channeled, internal criteria are used based on both internal and external information, whether public, provided by customers or by a third party (mainly data providers and independent experts).

To determine the channeling, the following standards are taken into account:

- Internal standards:

  Internal standards inspired by the European taxonomy (as they consider the element "substantial contribution" to the environmental objectives defined by said taxonomy) and best market practices, which may additionally present a certain degree of flexibility when applied in non-European geographic areas in order to reflect their different national situations and avoid the exclusion of emerging markets. In countries where local taxonomies exist, these could be applied.

  Additionally, given its important presence in emerging countries, BBVA has developed an internal standard for inclusive growth, defining activities that can be considered sustainable due to their contribution to social objectives. This standard has been developed based on the United Nations SDGs, international principles on Human Rights, the Social Bond Principles, best market practices and the draft EU social taxonomy. Because social aspects have very local and regional characteristics, own methodologies have been developed and thresholds have been established based on national and international indicators.

  CIB framework for sustainable products: applicable to certain products of BBVA's CIB activity such as transactional banking products or some structured products of the Global Markets activity. It is based on the SDGs, market practices and internal standards, with the opinion of an independent third party. This Framework is public and is available on the BBVA shareholders and investors website.

- Market standards for products and activities based on the use of funds:

  Mainly the Green Bond Principles and the Social Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles and the Social Loan Principles of the Loan Market Association. Additionally, other market standards such as the SDGs are taken into account.

- Market standards for products and activities linked to sustainability (generally, linked to a series of indicators or criteria related to ESG aspects, thus trying to encourage positive behaviors in terms of sustainability):

  Mainly, the Sustainability Linked Bond Principles of the International Capital Markets Association and the Sustainability Linked Loan Principles of the Loan Market Association.

In addition to internal and market standards and best practices, the existing regulations on the matter are taken into account (highlighting the Taxonomy Regulation 2020/852 and the Disclosure Regulation 2019/2088).

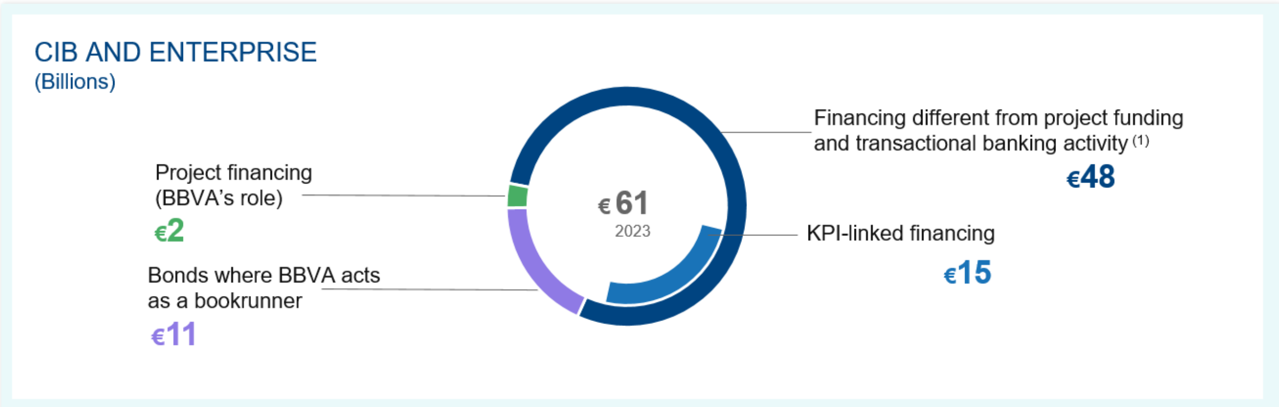
Likewise, BBVA considers its customers' activities to comply with internal standards and applicable regulations, supported by external data providers and using company-level certifications of recognized prestige in the market.

The channeling of sustainable business referred to above is a metric that may differ from other metrics of a regulatory nature. In particular, this metric differs from the metrics to be broken down according to the European Taxonomy (Regulation 2020/852, Delegated Regulation 2021/2178, Delegated Regulation 2022/1214, Delegated Regulation 2023/2485 and Delegated Regulation 2023/2486) as well as the information to be disclosed under the implementing technical standards (ITS) on Pillar 3 information relating to environmental, social and governance risks[13]. The reasons for these differences derive mainly from the different criteria used in the different metrics. In general, the following stand out: (i) while channeling includes mobilization of financial flows in relation to activities, customers or products considered sustainable or promoting sustainability in accordance with existing regulations, internal and market standards and best practices, regulatory metrics are constructed based on environmentally sustainable economic activities in accordance with existing regulations; (ii) while channeling includes mobilization of financial flows that may not be recorded on the balance sheet (e.g., certain transactional banking activity, mutual funds or bonds in which BBVA acts as bookrunner, etc.), regulatory metrics primarily include on-balance sheet exposures[14]; (iii) while the concept of channeling is cumulative (reflects accumulated balances originated since 2018) and includes the total flow mobilized at the time of origination, the regulatory metrics only include the current exposure, mainly on the balance sheet, as of the date on which the information of the exercise in question refers; (iv) while the concept of channeling includes mobilization of flows that contribute to a purpose of a social nature such as inclusive growth and other environmental objectives, regulatory metrics only consider the contribution to an environmental purpose.

Among the sustainable business mobilization solutions aimed at contributing to the fight against climate change and promoting inclusive growth, the following stand out:

Products for wholesale customers - CIB and and enterprises

In 2023, the mobilization of sustainable business with wholesale customers amounted to around 61 billion euros, 51 million euros linked to climate change and almost 10 million linked to inclusive growth.



(1) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market standards and the best practices), such as those linked to environmental and/or social indicators

In 2023, BBVA has continued to be very active in financing sustainable projects, participating in the channeling of 1.63 billion euros (taken from BBVA) of sustainable business in the following main areas:

- 1.52 billion euros in projects related to climate change (renewable energy, energy efficiency, sustainable mobility...),
- 0.11 billion euros in projects related to inclusive growth (civil infrastructure sector, telecommunications sector as facilitators of access to new technologies, etc.). For example, BBVA has participated in unique operations in transportation infrastructure for the economic development of vulnerable regions, such as the "Vía 40 Express" project in Colombia, which connects Bogotá with the country's main port on the Pacific Ocean, benefiting more than one million people in 13 municipalities and will be an important source of job creation during its construction.

In the field of financing and transactional banking activity, 48.28 billion euros have been channeled during the year 2023, 41.60 billion euros related to climate change and 6.68 billion euros linked to inclusive growth. Noteworthy:

[13] Incorporated in Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the technical implementing rules laid down in Implementing Regulation (EU) 2021/637.
[14] According to the regulatory definition (FINREP) of exposure: outstanding risk on loans and advances, as well as bonds in the investment portfolio.

- 15.12 billion euros correspond to the financing and transactional banking activity linked to the performance of environmental and/or social indicators: 14.58 billion euros linked to climate change and 0.54 billion euros to inclusive growth. In this way, BBVA promotes the environmental and social behavior of companies, applying a price bonus for the achievement of established objectives in relation to environmental and/or social indicators, such as the reduction of scope 1 emissions, 2 and 3, the efficient use of resources such as water or waste, the increase in women occupying management positions or the reduction of workplace accidents. Of these 15.12 billion euros, 1.55 billion euros correspond to confirming linked to sustainability based on an evaluation and classification of suppliers based on sustainability criteria..
- 33.16 billion euros correspond to financing and finalist transactional banking activity: 26.48 billion euros related to climate change, where areas such as energy or mobility stand out, and 6.14 billion of millions related to inclusive growth, highlighting areas of actions like financial and social inclusion or infrastructure.

In its transition towards sustainability (adaptation to climate change, mitigation or contribution to inclusive growth), it has also acted as bookrunner in issuances of green bonds (5.90 billion euros), social bonds (1.72 billion euros), and sustainable bonds -with both a green and social component- (2.24 billion euros) and bonds linked to environmental and/or social indicators (1.18 billion euros) from customers in the United States, Mexico, South America and Europe, including Spain. The total volume disintermediated by BBVA during 2023 amounts to 11 billion euros, where activity with European customers stands out BBVA continues to support the development of the green and social bond market in Latin America and Europe, leading inaugural bond issues in these regions.

Wholesale customers CIB (corporate and institutional)

During 2023, BBVA's wholesale customer area has channeled around 40 billion euros, highlighting solutions that help drive improvement for its customers in aspects related to sustainability, focusing on three strategic lines:

- Confirming linked to sustainability, based on an evaluation and classification service of suppliers of corporate customers based on sustainability criteria. This allows them to offer better discount prices on their invoices to those who score higher in relation to those criteria. This solution also can help corporate customers reducing their scope 3 emissions.
- Financing of new clean technologies, focusing on the development of specialized knowledge to finance clean technologies such as batteries (for energy transportation or storage), green hydrogen, biofuels, with the aim of accompanying customers in the transformation of their production models.
- Promotion of the financing of renewable energy projects, especially solar and wind, with a special focus on the United States.

Enterprise customers

In 2023, the contribution of the Corporate and Business Banking (CBB) business area has been particularly relevant, by channeling approximately 20,9 billion euros, which represents 30% of the annual total, compared to the 21% it represented during 2022. This notable contribution has been achieved thanks to the support of three strategic levers:

1. The development of a simple and scalable value offer, establishing a sector dialogue with each customers that covers two aspects:
   - Sustainable solutions aimed at generate potential economic savings, prioritizing cross-cutting issues such as energy efficiency, fleet renewal, water management, circularity, agriculture, social infrastructure and the promotion of entrepreneurship.
   - Using advanced data analytics to develop consultation tools, such as the carbon footprint calculator for customers.

   This has allowed us to establish a richer strategic dialogue with customers, adopting a commercial approach focused on specific sectors of activity. In this context, the decarbonization strategy and sectoral plans have become a crucial axis. Specific sector plans are being developed, such as construction in almost all geographies, as well as in the agri-food sectors in Mexico, Spain and South America, and in areas such as the hotel sector, transportation and logistics, among others.
2. The integration of sustainability into the business model of the countries' commercial network of companies begins through good commercial planning, the incentive model and the network management model. At the same time, progress is being made in the adoption of a risk model that allows customers and operations to be analyzed with ESG criteria.
3. The creation of teams of product specialists and salespeople in all geographies, with the aim of increasing the capillarity of the business.

These levers, during 2023, have begun to be taken to South American countries after the good results achieved in other geographic areas where the model was more consolidated, such as Spain and Mexico. This has increased the capillarity of the CBB business.

Products for retail customers

During 2023, the BBVA Group contributed to the channeling of sustainable business through various products for retail customers in a total of 8.6 billion euros[15], 2.8 billion euros linked to climate change and 5.8 billions linked to inclusive growth.

Customized digital solutions for the energy efficiency and mass consumption market

In 2023, within the scope of sustainable solutions for retail customers, BBVA has promoted personalized digital solutions aimed at the mass consumer market. These data-driven tools and solutions offer customers a vision of the potential savings they can obtain by adopting energy-saving measures in their homes and transportation. The objective is to promote more sustainable practices to contribute to the reduction of CO_2 emissions.

[15] Of these 8.6 billion euros, around 2.5 billion euros correspond to financing for small and medium-sized companies and 1.6 billion euros correspond to Consumer Finance.

Over the course of 2023, BBVA has channeled 162 million euros in solar panels, 43 million euros in financing for energy efficiency measures for households and 350 million euros for financing the acquisition of hybrid or electric vehicles. These solutions are being promoted transversally in the geographies in which the BBVA Group operates:

– Spain

Since 2021, BBVA in Spain uses data analytics to calculate the carbon footprint of individual customers, obtaining an approximate estimate of the amount of CO_2 emissions to the atmosphere, based on gas and electricity bills and the expenses incurred on fuel and other means of transportation. The main purpose is to offer customers solutions focused on energy savings, based on this data.

Thus, personalized solutions have been developed that calculate the possible savings on customers' energy bills when installing panels or purchasing an electric car. To this end, BBVA has established alliances with several companies dedicated to the installation of self-consumption products. Through the mobile application, the customer is offered the installation of the panels and a financing solution adapted to this product. As a result, during this year, around 16,500 solar panel installations have been financed. In relation to sustainable mobility, the customer is also offered demonstrations showing the potential savings they can obtain by purchasing a electric or hybrid vehicle. A catalog of vehicles from dealers associated with the consumer financing business is made available. In addition, through the mobile application, customers are also offered the possibility of leasing vehicles with various options for electric and hybrid models.

– Mexico

From the beginning of 2023, the tool for calculating customers' carbon footprint is available. Additionally, BBVA is working with a strategic partner, one of the main installers of photovoltaic panels in the country, to make available to customers in 2024 the same solar panel acquisition experience developed in Spain. This will include simulators that will estimate savings when switching appliances for more efficient models, as well as the option to explore electric and hybrid vehicles.

– Rest of geographies

Turkey has a tool for retail customers to calculate their carbon footprint since 2022 and in Argentina it will be developed in 2024.

Additionally, alliances have been developed to promote energy efficiency in homes in Colombia and Argentina as well as new alliances with large businesses for the financing of appliances with a high energy efficiency label, water savers and sustainable mobility in Argentina and Colombia.

It is also worth mentioning that , the BBVA Group sells mortgages for homes with high energy ratings in all the geographies in which it operates, except in Mexico, where work is being done to offer it. During 2023, BBVA has channeled approximately 862 million euros in mortgages for homes with high energy ratings.

Solutions to promote entrepreneurship and financial inclusion

As part of its inclusive growth strategy, in 2023, BBVA has continued to promote entrepreneurship as a lever for social development. Among other significant actions, the financing of:

- Low-income entrepreneurs: through the activity of microfinance institutions supported by the BBVA Microfinance Foundation. In 2023, around 1,450 million euros have been channeled through productive microcredits that, during this year, have been delivered to more than 3.2 million entrepreneurs in situations of vulnerability or poverty.
- Women entrepreneurs: for example, through the Women Entrepreneurs program in Turkey, through which nearly 828 million euros have been channeled impacting around 20,000 female entrepreneurs.
- Other entrepreneurs and microbusinesses: for example, through support to PFAEs (Persons with Economic Activities) in Mexico, through loans and other products, channeling around 652 million euros during the year that have benefited almost 90,000 entrepreneurs and microenterprises.

During 2023, BBVA has also developed specific solutions and products to promote the financial inclusion of unbanked and underbanked people (segments such as people with disabilities, rural population, young people, seniors) in those geographies where the Group operates. Some examples of this are:

- In Mexico, a digital solution has been promoted for individuals who were previously unbanked, with a special focus on women and young people. In this way, the banking access of almost 230,000 people has been promoted.
- In Turkey, in July 2023, the program for the banking of women was launched, through which participants are supported with training for employability and financial education and are offered basic financial products such as a savings account, credit card at no cost or microcredits for entrepreneurship, among others.
- In Argentina, the marketing of BBVA VOS has been promoted, an account at no cost to the customer that, once the necessary objectives to access a Credit Card have been achieved, gives automatic access to it. In 2023, more than 82,000 BBVA VOS accounts were registered. 43% of those registrations activated the account by making money deposits and 68% of the activated accounts managed to reach the credit card. Through this product, in 2023, more than 9,500 people who initially could not access credit due to lack of credit history, were able to access it. The product includes financial and digital support and education.

The integration of sustainability in the BBVA Asset Management business

BBVA Asset Management (hereinafter BBVA AM), the Group's investment management unit that brings together all of its asset management activities around the world, has developed a governance model in which there is coordination with the GSA to ensure the alignment with the Group's strategy.

The sustainability governance model has been structured around the Sustainability Governance Group (hereinafter, GGS), made up of global heads of Product, Investments, Risks, Control & Compliance and the person responsible for Sustainable Investments. The GGS, therefore, is the framework in which they are responsible for designing the sustainability strategy as well as the plans for its execution and, subsequently, presenting it to the global head of Asset Management and Private Banking and its steering committee, for approval.

BBVA AM's sustainability strategy has been structured around four pillars:

1. ESG risk integration

   The model of integration of environmental factors (climate change, pollution, waste management and good practices for the preservation of the ecosystem, etc.), social factors (among others, human capital management and social responsibility in product creation) and good governance (good corporate governance practices) of BBVA AM focuses on the development of a internal rating model for the assets under management.

   To build the rating, BBVA AM applies its own methodology and relies on the information received from external providers and, thus, an ESG rating is granted to each company. This rating is available for stocks, corporate bonds, governments and funds managed by third parties, and currently covers a significant percentage of BBVA AM's investment universe. It has 3 levels and the ESG Risk Integration Policy establishes that investments cannot be made in the instruments with the lowest rating of the three levels. This policy applies to all vehicles and portfolios managed at AM in Europe and Mexico.

2. Exclusions

   Exclusions are not the center of the sustainability strategy but are necessary to avoid investment in certain activities. These exclusions apply to all vehicles and portfolios that are managed and focus on companies that fail to comply with international treaties and standards linked to labor rights, anti-corruption policies and human rights, as well as companies that carry out activities that are considered inherently harmful to society (such as controversial weapons; coal extraction, for companies with an exposure greater than 25% of their activity; and the exploration and production of oil and gas in the Arctic and in bituminous sands, for companies with an exposure greater than 10% of their activity). Investments in countries with UN arms embargoes and sanctions for money laundering are also excluded, and companies belonging to the tobacco, alcohol and gambling sectors are left out of the investment universe, in the case of sustainable products. . This policy applies to live investments made in AM Europe and AM Mexico.

3. Commitment

   By commitment, at BBVA AM we fundamentally understand the way in which it interacts with the companies in which it invests, with international and regulatory organizations, with other investors and other interest groups or interested parties. In practice, commitment is expressed in two ways: voting at shareholder meetings and engagement.

   In relation to voting activities, work has been done to expand the companies in which the right to vote is exercised, including, in addition to European companies, those from the United States and Canada, with the support of external advisors. Voting activities are carried out in vehicles and portfolios managed in Spain, Portugal, Luxembourg and Mexico.

   Commitment activities are manifested in adhering to a series of international commitments and initiatives that reflect the commitment to sustainability, responsible investment and involvement in future challenges such as the fight against climate change:

   - UNPRI: United Nations Principles for Responsible Investment
   - Net Zero Asset Managers Initiative
   - Net Zero Engagement Initiative

4. Impact Strategy

   At BBVA AM, the impact strategy is used to identify activities and investments and evaluate their impact, positive or negative, on social and/or environmental aspects. This allows us to check whether a company in the investing universe has an impact on any of the 17 SDGs established by the United Nations.

   An internal analysis methodology, which relies on information received from external providers, has been developed for the selection of investment strategies aligned with the SDGs and to identify and monitor instruments for financing sustainable projects. To do this, it is verified that the activities or investments have a positive impact on some SDG, meeting a series of minimum requirements in relation to minimum safeguards and no significant damage. This definition has been developed following the criteria established by EU regulations to define a sustainable investment.

   This criterion for identifying sustainable investments is used in the construction of portfolios of sustainable products, investment funds, pension plans and discretionary management portfolios.

BBVA AM established the objective of accompanying the companies and issuers in which it invests in their decarbonization objectives, to achieve net zero portfolios in the year 2050. During 2022, BBVA AM made public the following intermediate objectives for 2030[16] and the assets to those who have set the objectives:

ASSETS UNDER MANAGEMENT (BBVA ASSET MANAGEMENT): ALIGNMENT TARGETS

Metric	Baseline year (2021)	Target 2030	Market Scenario	Methodology	% Assets under management
Equity and corporate fixed income assets. Sovereign fixed income (euro zone)					
% assets aligning or aligned with Net Zero	26%	60%		Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	22% (12% + 10%)
Equity and corporate fixed income assets					
Average Intensity (million t) Scope 1,2 WACI[(1)]	173tCO2 / €M sales	50% Reduction in emissions	IEA Net Zero 2050	Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	12%
Sovereign fixed income (euro zone)					
CCPI [(2)]	56.5 CCPI	Annual improvement		Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	10%

Initial commitment to decarbonize 22% of its portfolio of assets under management. These assets are part of the portfolios managed in Europe and Mexico and comprise Eurozone sovereign bonds (10% of total assets under management) and equities and corporate bonds (12%). Asset classes for which there is no reliable data or methods are outside the scope of the project for the time being. However, this is just an initial commitment. It will be reviewed in the coming years to widen its scope.
Assets not included: Third party Funds, cash and equivalents, real estate and private equity, sovereign fixed income issued by agencies.
[(1)] Weighted average carbon intensity.
[(2)] Climate Change Performance Index.

Sustainability and climate risk management, in particular, is integrated into BBVA AM's general risk management and control processes.

During 2023, BBVA AM continued to expand the offering of sustainable products, that is, products that incorporate sustainability objectives or metrics in their investment policy in line with the SFDR; with 2 new pension plans in Spain and an investment fund in Turkey, so the total number of investment vehicles that incorporate sustainability objectives and metrics rose to 36 (33 in 2022).

The assets managed in sustainable solutions at the end of 2023 are 7,438 million euros (in 2022, 7,020 million euros) and net deposits have been -316 million euros (in 2022, 976 million euros).

In the retail banking segment, it stands out that 3,018 million euros correspond to funds that promote ESG characteristics (in 2022, 3,133 million euros), 109 million euros correspond to funds with a sustainable investment objective (in 2022, 108 million euros) and that 2,802 million euros correspond to pension plans that promote ESG characteristics (in 2022, 2,593 million euros).

ASSETS UNDER MANAGEMENT (BBVA ASSET MANAGEMENT. MILLIONS OF EUROS)

	2023	2022
Total assets under management	**147,444**	**124,602**
Europe	83,077	74,599
Mexico	49,062	35,614
South America	7,614	7,384
Turkey	7,691	7,005
Strategy applied		
Exclusion [(1)]	132,139	110,213
Vote [(2)]	132,139	110,213
Integration [(3)]	132,139	110,213

[(1)] The exclusion strategy, with the exclusion policy approved in 2022, 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.

[16] The achievement and progressive advancement of decarbonization objectives will depend to a large extent on the actions of third parties, such as customers, governments and other stakeholders, and, therefore, may be materially affected by said actions, or by lack of it, as well as by other exogenous factors that do not depend on BBVA (including, but not limited to, new technological and regulatory developments, war conflicts, the evolution of the climate and energy crises, etc.). Consequently, these objectives may be subject to future revisions.

2.1.4 Dialogue and discussion with customers, industry and the public sector

Due diligence process and knowledge of the customer, analysis of environmental and social risks and opportunities

Interaction and ESG dialogue with customers

Metrics of interaction and dialogue with customers

Interaction and dialogue with the industry and the public sector

The following details how BBVA obtains information from its customers, analyzes it and proactively and constructively provides solutions to help them transition to a net zero emissions future, depending on the level of progress the customer is in their path towards decarbonization. This is consistent with its Net Zero 2050 strategy and its transition plan.

Due diligence process and knowledge of the customer, analysis of environmental and social risks and opportunities

Wholesale customers

BBVA increases the knowledge related to sustainability of its wholesale customers through different processes:

- Sustainability questionnaires adapted to different industries that are applied in the development or renewal of the financial program. It allows risk managers and specialists to have greater knowledge of customers' environmental performance.
- Environmental and Social Framework:

  Based on the information included in the KYC (Know Your Client) form and that provided by an external advisor expert in ESG, BBVA supervises that new wholesale customers, covered by its Environmental and Social Framework, do not incur general exclusions or specific restrictions, foreseen for the sectors covered by the Framework: mining, agribusiness, energy, infrastructure and defense. On a biennial basis, BBVA carries out an evaluation of the groups belonging to the stock under the sectors of this Framework. At the end of 2023, more than 330 groups have been analyzed, having initiated a dialogue and support plan with 11 of them. To carry out its effective implementation, BBVA has the advice of an independent expert who carries out due diligence on the covered customers.

  The Framework (originally approved in 2020) is prepared and coordinated within the Global Sustainability Area and is approved by its manager.

- Equator Principles:

  Although financing projects in sectors such as energy, transportation and social services drives economic development and creates jobs, it also carries potential environmental and social impacts. Therefore, BBVA implements environmental and social risk assessment processes in this area to mitigate and prevent negative impacts, reinforcing the economic, social and environmental value of these financings.

  In 2004, BBVA adhered to the Equator Principles (hereinafter, EP), which establish standards for environmental and social risk management in project financing. Currently, in their fourth version (EP4), these principles are applied globally in all industrial sectors and cover five financial products related to projects: (I) financing advice; (II) financing; (III) corporate loans; (IV) bridge loans; and (V) refinancing and acquisition.

  In accordance with the EP, BBVA subjects each project under the scope of EP4 to an environmental and social due diligence analysis, considering impacts on climate change and human rights. This analysis is integrated into BBVA's internal operations structuring, admission and monitoring processes, aligning with its Environmental and Social Framework. Each operation is classified according to its risk level (categories A, B or C) and the documentation provided by the customer and independent advisors is reviewed. A specialized team at BBVA supervises and evaluates these projects, contributing to committee decisions and risk approvals. In addition, BBVA financing contracts include specific environmental and social obligations for the proper management of the project by the customer.

  Regarding the evaluation of human rights and according to the EP, BBVA requires due diligence on projects that may impact indigenous communities. In cases where this circumstance occurs, the free, prior and informed consent of these communities must be obtained, regardless of the geographical location of the project. It also requires, in accordance with the projects, liaison with the communities impacted by the projects. If potential risks are detected, the operation must include effective management of these risks as well as operational mechanisms for managing claims. Regarding climate impacts, in accordance with the EP, the impacts of the projects are evaluated considering scenarios as well as mitigation and management measures adopted.

  The data on the financed operations that were analyzed under the EP are included in section “2.6.5 Operations analyzed under the Equator Principles” in chapter “2.6 Additional information” of this report.

In 2023, BBVA has developed a procedure for managing environmental and social disputes with the objective of identifying the existing processes that prevent the materialization of disputes in addition to establishing the way of managing and resolving them in this area. This procedure covers environmental and social controversies associated with wholesale customers that are incorporated in the development of their programs.financial.

BBVA has developed a “Guide to integrating ESG factors in wholesale credit analysis” where the most relevant environmental and social aspects are identified by industry and obtains metrics to monitor the performance of corporate customers.

Additionally, BBVA has defined an internal taxonomy of transition risk in order to classify sectors based on their sensitivity to this type of risk. In the preparation and definition of the sectoral frameworks used in the admission of credit, the metrics are identified that allow the vulnerability of each customer to be assessed to transition risks and integrate this aspect into risk and support decisions. Additional information on this point is detailed in section “2.2.2 Management of risks associated with climate change and environmental factors - Integrating climate change into risk planning” of 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 area of CBB, BBVA has used data analytics to calculate the carbon footprint of companies and uses it to offer valuable solutions to its customers. The carbon footprint calculator for companies provides information on the ESG profile of customers (footprint calculation, temporal evolution, comparison with the sector average and similar companies, etc.), which allows customers to be categorized and put into It carries out advisory actions and commercial actions that are directed, personalized and adapted to the profile of each customer.

Recent updates have been implemented including the ability to set energy savings goals. In addition, alerts have been added that warn when the objective is being reached and a comparison of consumption compared to other companies in the same sector of activity (NACE), with a similar level of billing and equivalent number of employees on staff. This comparison shows the monthly spending percentile in relation to the rest of comparable companies.

In addition, BBVA uses natural language processing techniques for the ESG categorization of large-scale corporate customers based on public information such as corporate customer websites, official records, news, etc. These techniques enrich constantly the commercial information provided and helps customers improve their environmental performance.

Retail customers

BBVA identifies, accredits and documents the activity carried out by retail customers through KYC under a risk approach. This allows for better knowledge of customers, their operations, customer segmentation, products, channels, jurisdictions and transaction monitoring.

As for individual customers, they have the possibility of calculating their carbon footprint thanks to their digital capabilities and data analytics. This service aims to raise awareness about the impact that their actions have on the environment and help them in the transition towards a more sustainable world. By adding the characteristics of the home (surface area, energy certification, etc.), BBVA can assess improvements in energy efficiency and offer information on simple and sustainable changes in habits that can help reduce the amounts on its customers' home bills. individuals. This service is available in Spain, Turkey and Mexico, and work is being done so that Argentine customers can also use it in 2024.

On the other hand, in Spain it is already possible to visualize the potential savings when switching to an electric car or installing solar panels, as well as purchasing these items along with financing options offered by BBVA through its digital platforms. This has been possible thanks to the strategic agreements established with companies in the sector. Likewise, customers have the possibility of contracting one of the sustainable products provided by BBVA and using the Valora tool, which allows them to have an estimated and automatic valuation of their real estate and transportation assets.

Interaction and ESG dialogue with customers

Sustainability is part of the recurrent interaction and dialogue (engagement) with our wholesale customers and of the value proposition presented, both at a strategic and commercial level, and is integrated into the processes of admission, pricing and risk management processes. BBVA interacts and shares ESG knowledge and best practices with its wholesale customers through different mechanisms.

In 2020, the ESG Advisory service was created to help global customers in their transition towards a more sustainable future in all sectors of activity. This is a data-based proposal aimed at facilitating the objectives that customers are assuming to align with the Paris Agreement and advance the United Nations 2030 Sustainable Agenda. The dialogue with customers on ESG aspects is based on:

- Overview of how sustainability is evolving in the political and financial context, explaining the main regulatory issues,reporting, financial market developments, ESG ratings, etc.
- Specialization in several industries that face the greatest challenges to the transition to a low-carbon economy: oil and gas, power generation, automobile and auto parts manufacturers, as well as other industries such as infrastructure, processed foods, beverages, cement, fintechs and pharmaceuticals. Customers are informed about the key challenges and opportunities for each industry and the dialogue focuses on each industry's roadmap to align with the Paris Agreement. BBVA provides information to its customers on regulation, technological improvements and best practices in each industry, as well as a comparative analysis on how similar companies are evolving in terms of ESG, different alternatives to improve their sustainable profile and how to set specific short and medium objectives. term.

- Specialization in topics such as Cleantech, biodiversity, ESG Rating, Carbon Markets and Natural Based Solutions, in which BBVA does specific advisory to customers with the idea of helping and, where appropriate, accelerating their transition with debt solutions but also equity.
- Support in the analysis customer scope 3 emissions and in turn the carbon footprint of its suppliers, in order to develop future strategies that reduce the environmental impact of value chains and increase their resilience.
- BBVA offers customers a list of sustainable products or products that promote sustainability (bonds, loans, transactional banking activity, etc.) that, in addition to meeting their financial needs, support their sustainable transformation.

BBVA provides direct support to its wholesale customers, both global and non-global, in incorporating ESG practices into their business strategies and operations. This is achieved through one-on-one meetings, mass outreach events and project consulting focused on initiatives such as energy efficiency, renewable energy, efficient construction and sustainable mobility. Sustainable practices are also promoted, covering efficient water management, the circular economy, waste management, environmental impact and care of biodiversity, among other aspects.

Managers have information on sustainable solutions applicable to different sectors of the economy so that they can make more focused proposals for their customers. BBVA, in collaboration with a company specialized in managing European funds from the Next Generation EU program, approved by the European Commission, offers an information service to customers that promote Spanish business projects related to the ecological transition and sustainable mobility, among others.

BBVA supports its SME 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.

Likewise, customers have access to informative information and a catalog of sustainable products or products that promote sustainability through transactional web platforms and mobile banking apps. These resources are also provided by managers in the offices. The Group makes available to its customers information about the products, advice on sustainability and explains where it comes from, their impact on the environment (savings in consumption with an energy efficiency loan, fuel savings with a loan for fleet renewal of vehicles, etc.).

The customer service model is complemented with external capabilities, which is reflected in the development of strategic alliances with third parties. These alliances are essential to contribute to supporting the sustainable transition of companies and individuals. Among them, the following stand out:

- The development of sustainable business in Spain, focused on the promotion of sustainable mobility, has allowed BBVA to close agreements with the association that makes up the vehicle dealer associations and the dealers collaborating in the vehicle business of consumer finance for the distribution of electric and plug-in hybrid cars and the renewal of fleets for companies.
- The promotion of solar self-consumption and the development of energy saving projects in the main geographical areas where BBVA is present has made it possible to build alliances and agreements with solar panel installation companies in Mexico, Spain, Argentina, Colombia and Peru.
- Agreements with multilateral organizations and development banks to promote sustainable businesses, such as the agreement with the International Finance Corporation in Peru and Colombia.

Finally, events have been organized with content related to sustainability: trends, sustainable finance, risks, opportunities, energy efficiency, renewable energy, sustainable transport and agriculture.

In March 2023, the First Edition of the ESG Summit was also held in Mexico, where BBVA tried to convey the importance of integrating ESG criteria into the business model. And in October the “Image 23 BBVA Sustainability Summit” was held, in which strategies and experiences were shared to address climate change and inclusive growth.

Garanti BBVA has held several conferences in different locations within the thematic program of events entitled "Sustainable future in exports", to explain the key points of the EU 'Green Deal' and the Carbon Border Adjustment Mechanism and offer concrete proposals to institutions and companies, especially SMEs, involved in exporting to the European Union.

At the same time, in April 2023, the BBVA Sustainability Forum took place in Uruguay, which brought together authorities, experts and businessmen who analyzed the various initiatives to support the fight against climate change.

Metrics of interaction and dialogue with customers

From 2020, CIB bankers have visited more than 260 large corporate and investment banking customers and performed more than 470 pitches with the aim of maintaining a dialogue and discussion focused on sustainability (they represent approximately around 20%[17] of the corporate and institutional customer base). In total, visits have been made to customers from 30 different countries and of them, around 35% have been visited in more than one geographic area in which BBVA is present. In 2023, nearly 90 global customers have been contacted through the ESG Advisory service.

Additionally, in 2023, in Spain alone, more than 400 commercial and ESG advisory visits were made to CBB customers, who were presented with a value proposition with ESG characteristics adapted to their needs and profile. In Mexico, around 500 commercial actions with a sustainable approach have been generated. BBVA has a network of experts in sustainable mobilization in Spain, Mexico and Peru (it is in the development phase in the rest of the countries), to support customers in their transition towards a greener future.

The service offered by the Next Generation EU program aid portal, after its first two years, has accumulated more than 100,000 visits, generating 6,500 leads and has concluded more than 450 contracts for the processing support service.

Other actions to promote sustainability

In addition to initiatives aimed specifically at customers, BBVA also creates and disseminates information available and accessible to all its stakeholders.

Specifically, BBVA has launched the BBVA Greenfluencers program, which improves understanding of the challenges faced by different industries in the field of sustainability. It aims to convey the messages of the activity, the global nature of the wholesale business and highlights the relationship with leading customers from different sectors and geographies. Almost 70% of subscribers open the newsletters of Greenfluencers and more than 50% of the chapters have been recorded in different geographies, reaffirming its global character.

Likewise, in 2023, BBVA published more than 580 articles related to sustainability on its corporate website that have impacted almost 4.1 million users and account for more than 7.8 million page views, articles that add to those of more than 1,500 articles from the years 2012 and 2022. Of all of them, it is worth highlighting the dissemination work, specifically, in the Planet category 'Biodiversity Conservation' and 'Natural Capital'.

BBVA offers the possibility of downloading monographs specialized in sustainability with one objective and to contribute to achieving a greener and more inclusive society and planet. Through these contents and others of an informative nature, the entity reinforces its intention to inform and raise awareness on this matter. Additionally, 6 new monographs have been published on right to energy, climate migrations, biodiversity, drought, natural capital and sustainable transition in SMEs. In total, 13 monographs have been published, generating more than 16,700 downloads. To help disseminate all this content, BBVA distributes a newsletter that has more than 11,900 subscribers and an opening rate greater than 35%.

During this year, 59 podcasts have been made (more than 51 from "Aprendemos Juntos" and more than 8 from "Futuro Sostenible") that have amounted to more than 4.2 million downloads. It is worth highlighting the launch of interviews in Sustainable Future expert talks, where topics of interest to citizens are addressed and key questions on sustainability issues are answered. In addition, more than 50 sustainable-themed videos were published on YouTube which, together with the existing ones, have more than 3.3 million views since 2020.

Regarding the content shared on social networks, since the beginning of the sustainability content positioning project (January 2021), more than 8,500 publications have been generated that have generated more than 172 million impressions and more than 1 million interactions. Through social networks, BBVA reaches out to people, interacts and shares knowledge on ESG issues, seeking to generate a positive impact and raise awareness about how important it is to take action.

Likewise "Aprendemos Juntos 2030", BBVA's global project that aims to promote sustainability education to help people build a greener and more inclusive future, has been recognized by the United Nations for its contribution to the Goals. of Sustainable Development (SDG) and continues to garner views month after month, reaching more than 2,980 million views accumulated on the project.

[17] Customer base updated with data as of October 2023, from a managed group proxy.

Interaction and dialogue with the industry and the public sector

For more than two decades, BBVA plays an active role in multiple global initiatives, seeking to redefine the financial system with sustainability as a key component in financial decisions, supporting the United Nations Global Compact, actively participating with various interest groups, from regulators and supervisors to investors, shareholders and civil society organizations.

Firstly, at a sector level, BBVA has been a member of UNEP-FI since 1998 and has chaired its steering committee from 2019 to December 2023. In addition, it was one of the founding banks of the Responsible Banking Principles, establishing a reference framework for sustainability in the banking sector.

In the European Banking Federation, it chairs the group of experts on sustainable finance and at a global level he participates in working groups on sustainable finance at the IIF (International Institute of Finance). At the local level, it promotes sustainability committees in banking associations in several countries, sharing practices and methodologies on climate change management for banks.

BBVA is a founding member of the Net Zero Banking Alliance and is part of its steering committee, within the Glasgow Finance Alliance for Net Zero (GFANZ).

Likewise, BBVA, together with four other banks that signed the Katowice commitment, and with the support of the think tank 2 Degree Investing Initiative (2DII), has collaborated in the development of the PACTA (Paris Agreement Capital Transition Assessment) methodology for the decarbonization of credit portfolios of financial entities. BBVA is also a member of the Partnership for Carbon Accounting Financials (PCAF), whose objective is to establish an international methodology to measure and disclose greenhouse gas emissions financed by banks and investors.

Since March 2023, BBVA has been a member of the Financial Industry Advisory Council of the International Energy Agency (IEA). This initiative aims to be an institutional channel between the agency, the financial community and those responsible for energy policies and promote dialogue on issues that affect energy investments, particularly those related to the transition to clean energy. In September, BBVA actively participated in UN Climate Week in New York and parallel events such as meetings within the framework of the WEF Sustainable Development Impact or the Net Zero Banking Alliance (NZBA).

In 2023, BBVA has maintained its active participation in discussions with public authorities at the community, global level and in the various jurisdictions where it operates. In particular, it is worth highlighting its work in monitoring and accompaniment with the European regulator on key sustainable finance issues, ranging from the Directive on environmental and human rights due diligence, the Green Bond Standard (EuGB), the development of standards of sustainability breakdowns (EFRAG, ISSB - where BBVA participates in the IFRS Advisory Council-), European regulatory reviews on capital requirements, the evolution of the European taxonomy and reviews of the emissions trading regime of the European Union (EU STD).

BBVA also promotes sustainability and maintains a dialogue with European institutions through its active participation in associations. In 2023, BBVA has continued its support with CSR Europe, through initiatives such as the Leadership Hub and through webinars and workshops on different topics such as green taxonomy, ESG reports or sustainability due diligence.

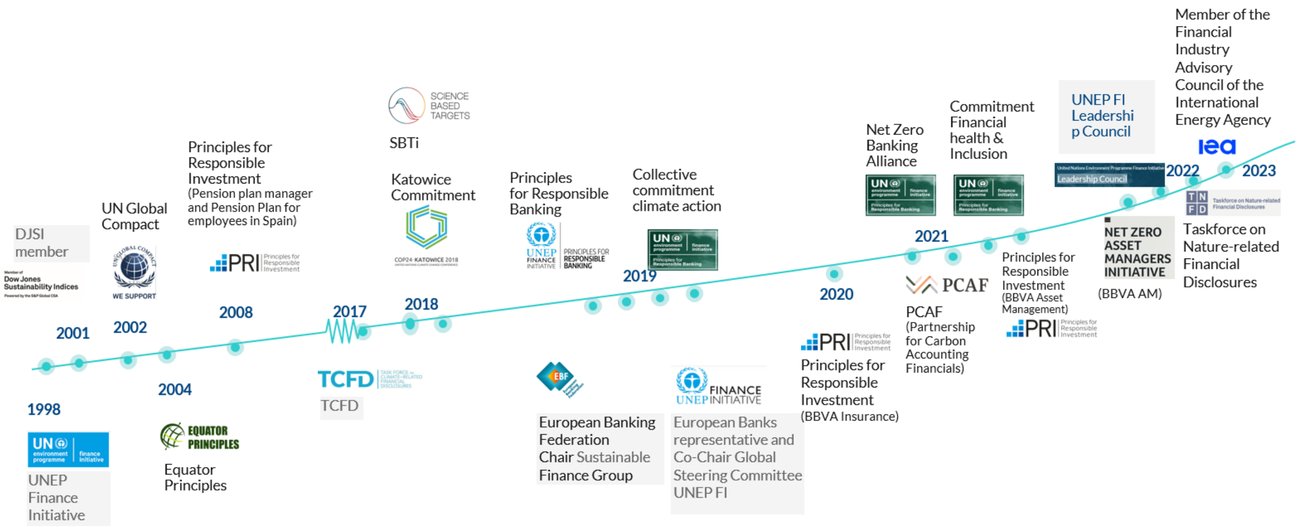
A second area of relationship has been with banking supervisory bodies. During 2023, supervisory activities related to climate risk have focused on comply with the commitments (action plan) of the thematic review carried out in 2022.

Additionally, this year 2023 a stress exercise ("2024 Fit-for-55 climate risk scenario analysis") has been announced for next year. This is a specific exercise in which all relevant banks will participate, in a "top-down" format and whose results will be published in aggregate form in the first quarter of 2025. The result of the exercise will not influence the annual evaluation process (SREP).

Beyond its own supervision activities, BBVA has actively participated in work sessions sharing its experiences with the European Central Bank, the Bank of Spain, the Bank's Association of Turkey and the Bank of Mexico, among others.

Thirdly, and beyond the financial regulatory sphere, BBVA has continued to promote initiatives to ask governments for more ambitious action on climate change and public policies.It is worth highlighting the calls to the G20 led by the WEF in Davos and at COP28, through the open letter of the Alliance of CEOs Leaders for Climate promoted by the World Economic Forum (WEF) of which BBVA is a member, calling on world leaders and participants in the United Nations Climate Change Conference in the United Arab Emirates to promote the necessary policies and actions at the government level and be able to comply with the Paris Agreement.

Finally, a fourth area of action related to involvement with governments has to do with promoting sustainable finance in emerging countries. BBVA considers it a priority to close the sustainable mobilization gap in these countries, without which it will not be possible to achieve net zero emissions. As a member of the European Commission's High Level Expert Group (HLEG), BBVA actively participated in providing recommendations to the European Commission to boost sustainable financing in emerging countries and close the current financing gap for the SDGs (in the framework of the Strategy for Financing the Transition towards a Sustainable Economy), where BBVA is the only private bank in this group



Universal frames of reference

BBVA was one of the 28 founding banks of the Responsible Banking Principles promoted by the United Nations alliance with the financial sector (hereinafter, UNEP-FI). This is a reference framework based on six principles that aim to respond to the growing demand from different interest groups for a comprehensive framework that covers all dimensions of sustainable banking. Since 2020, BBVA has reported to UNEP-FI the progress and advances achieved in each of the six principles. For more information on the progress and advances reported, see section "2.5.4 Index of contents of the Principles of Responsible Banking UNEP-FI" of 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 (Collective Commitment to Financial Health and Inclusion) with the aim of promoting universal financial inclusion and fostering a banking sector that supports financial health. of all customers.
- In terms of portfolio alignment with the Paris Agreement, in 2021 BBVA was a founding member of the UN Net-Zero Banking Alliance (NZBA). In 2023, BBVA was renewed as a member of the steering committee of this initiative as the only Spanish bank. BBVA participates in this international alliance whose objective is that the credit and investment portfolios of its members will be neutral in net emissions by 20250 as the deadline, in line with science and the most ambitious objectives of the Paris Agreement.

  BBVA participates in an NZBA working group that is defining the appropriate use of carbon credits of customers. Carbon credits can play a complementary role in BBVA's decarbonization path beyond carbon footprint reduction efforts. In relation to the use of carbon credits, the objective remains to achieve the greatest possible reduction of the carbon footprint. The purchase of carbon credits should be limited to cases where there are no technologically or financially viable alternatives.

Additionally, BBVA AM is a member of Net Zero Asset Managers, an initiative launched by a group of international asset managers to support the goal of reducing net greenhouse gas emissions to zero by 2050 or sooner. Furthermore, in 2023, BBVA AM's employment plan manager adhered to the CNMV's Code of Good Practices for Investors in Spain.

Since 2017, BBVA has been adopting the TCFD recommendations of the FSB and has been reporting TCFD reports online with its utmost support for transparency. In its TCFD 2022 report, BBVA incorporated elements of a Transition Plan for the first time following the guides and recommendations for financial institutions published by Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.

In addition, BBVA participates in the development of the Equator Principles, the Green Bond Principles, the Social Bonds Principles, the Green Loan Principles, the Social Loan Principles, the Sustainability Linked Bond Principles, the Sustainability Linked Loan Principles and other similar standards developed by the industry itself.

2.1.5 The integration of sustainability in BBVA's financing structure

The issuance of green, social and sustainable bonds - with both a green and social component - plays a key role in achieving the previously mentioned objectives. The origination allows BBVA to support its customers' transition towards a low-carbon economy, and contributes to their progressive alignment with the objectives of the Paris agreement. Green, social and sustainable bonds and other debt financing instruments are effective instruments to channel funds to finance BBVA's business, customer projects in sectors such as renewable energy, energy efficiency, waste management, water treatment or access to essential needs and services such as housing or inclusive finance.

In April 2018, BBVA published its framework for the issuance of its 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.

This is a framework aligned with the Green and Social Bond Principles and the ICMA 2018 Sustainable Bond Guide, supported by strong governance and strict management and monitoring of net funds raised and is verified by an independent third party. The framework is public and available on the BBVA shareholders and investors website.

In 2022, a new global framework for the issuance of sustainable debt instruments was published (which replaces - except for current issues - the 2018 Bond Framework). The framework was updated to align it with the eligibility criteria for the environmental and inclusive growth categories provided for in BBVA's internal standards, based on the principle of substantial contribution provided for in the EU taxonomy for climate change, and to extend it to other debt instruments additional to the bonds. Like the previous one, the 2022 framework takes into account the best practices of the bond market, being aligned with the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines of the ICMA, and the possibility is open of adapting it to the EU Green Bond Standard when applicable. Likewise, it has independent verification by an independent third party and is available on the BBVA shareholders and investors website.

The green, social and sustainable bonds -with both a green and social component-, issued by any of the BBVA Group entities as of December 31, 2023 and outstanding, are:

GREEN, SOCIAL AND SUSTAINABLE BONDS OUTSTANDING IN 2023 (BBVA GROUP)

Entity	Category	Issue type (1)	Issue Year	Nominal (millions)	Currency	Purpose
BBVA S.A.	Green bond	SNP	2018	1,000	EUR	Projects related to energy efficiency (including green buildings, renewable energy, sustainable transportation, water, and waste management) to generate positive environmental impacts.
BBVA S.A.	Green bond	SNP	2019	1,000	EUR	
BBVA S.A.	Green bond	AT1	2020	1,000	EUR	
BBVA S.A.	Green bond	SP	2022	1,250	EUR	
BBVA S.A.	Green bond	SP	2022	215	CHF	
BBVA S.A.	Green bond	SP	2022	210	CHF	
BBVA S.A.	Social bond	SP	2020	1,000	EUR	COVID-19 Social Bond: Support for mostly micro-enterprises.
BBVA Mexico	Sustainable bond	SP	2022	10,000	MXN	Projects associated with affordable housing, SME financing, microfinance, as well as energy efficiency and sustainable water and wastewater management.
BBVA Mexico	Green bond	SP	2023	9	MXN	Renewable energy, energy efficiency, and clean transportation projects.
BBVA Colombia	Green bond		2023	50	USD	Construction projects for water treatment plants and sewerage, preservation of oceans, and protection of lakes, highlands, and mangroves.
BBVA Uruguay	Sustainable bond	Tier 2	2021	15	USD	Emergency health assistance projects for SMEs affected by the COVID emergency and green loans focused on energy efficiency, sustainable construction, and smart agriculture.

(1) SNP = Senior Non-Preferred / SP: Senior Preferred / AT1: Additional Tier 1.

In the field of green, social and sustainable bonds, business areas that mobilize products identified as such according to the applicable criteria, receive a bonus as long as the financing cost of this type of bonds is below conventional bonds, according to BBVA’s transfer pricing system (hereinafter FTP), that is reviewed within the scope of the corporate Asset Liability Committee and which represents the basis for the rest of the Group's geographic areas.

The FTP is an essential part of BBVA's liquidity and financing management. The FTP is a tool to establish a price for the products offered by the bank that includes the cost of liquidity and financing for each transaction and serves as a main component for measuring profitability.

In addition to incorporating sustainability into its financing structure, BBVA is incorporating aspects related to sustainability in its day-to-day operations, both in its relationship with customers and in its internal processes, including its management control and reporting processes.

BBVA in Spain is integrating sustainability in its financial reports to senior management and business areas. These reports include analysis of the evolution of profitability and impact on the income statement and some decisions on the allocation of internal resources are derived from them.

Financial reports are used recurrently to make decisions based on the sustainability axis, including sustainable business channeling data, profitability, percentage of penetration of sustainable activity, as well as balance sheets and income statements that allow monitoring of the sustainable operations for each of the activity segments.

It is planned that sustainability will be progressively integrated into the financial reports of other geographical areas.

In order to coordinate the Group's efforts in different countries and units, a part of the resources necessary to achieve sustainability objectives has been channeled through an internal tool “Single Development Agenda” (SDA), where the financial and human resources of the BBVA Group are prioritized and assigned to those projects that are most aligned with the strategy. The amount allocated to projects related to sustainability in 2023 amounts to nearly 53 million euros[18] (increased by more than 67% compared to the previous year). Investments stand out in three areas: (i) Transformational projects, which mostly require technological developments, to develop new capabilities that allow us to offer sustainable products, for example energy savings in homes and in transportation; (ii) Projects in the Risk area, to integrate all components of physical and transition risks; and (iii) Projects to implement the main requirements related to ESG reporting.

2.1.6 Governance model

Corporate bodies

BBVA has a corporate governance system, comprising a set of principles, rules and mechanisms that integrate and regulate the structures and operation of its corporate bodies, which are responsible, at the highest level, for the governance of the Bank (hereinafter, the "System" or the "Corporate Governance System"). This system is mainly governed by the provisions of the Bank's Articles of Association, the regulations of its various corporate bodies and certain general policies of the Bank.

In accordance with the regulations applicable to BBVA, as a listed credit institution, the Bank has a Board of Directors which, as the highest representative, administrative, management and supervisory body, performs both the functions of managing the Entity and those of supervising and controlling management.

The Board of Directors also has a structure of specific Committees, which assist it in matters within its remit and which have been set up on the basis of an appropriate distribution of functions, as set out in their corresponding regulations (hereinafter, the "Corporate Bodies").

In the exercise of their functions, the Committees carry out an in-depth review of the matters and proposals submitted by the executive areas for consideration by the Corporate Bodies, thus becoming an essential element for the development of their corresponding functions.

This Corporate Governance System is aligned with BBVA's culture and values and is geared towards achieving the Bank's corporate interest and purpose. To ensure this, the Board monitors its effectiveness, adapting it, where necessary or appropriate, to the environment in which the Bank and its Group operate. In addition, the design of the system takes into account the regulatory and supervisory requirements applicable at any given time and industry best practices, as well as the opinion of the Bank's various stakeholders.

As part of this System, the Board of Directors has the power to approve the Entity's general policies and strategies. In implementation of the above, the Board has defined a common management and control framework, consisting of strategic decisions (including, inter alia, the strategic plan, the budget, the risk appetite framework) and general policies, which include the main management guidelines for the Group's various areas of activity. For further information on BBVA's corporate governance system, please refer to the Corporate Governance Report 2023, which is attached by reference to the BBVA Group's consolidated Management Report.

Within the abovementioned context, the Board of Directors has incorporated sustainability as one of the Bank's strategic priorities, as reflected in the Group's 2019 strategic plan, and has approved the General Sustainability Policy, which defines and establishes the general principles, management and control objectives and guidelines to be followed by the Group in the area of sustainable development.

In accordance with the General Sustainability Policy, BBVA understands "sustainable development" (or "sustainability", which includes environmental, social and governance aspects, referred to as "ESG") as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. BBVA faces the challenge of sustainable development from a holistic perspective, being aware that, by making the Purpose of "Bringing the age of opportunity to everyone" a reality, as well as the strategic priority of "helping our customers in the transition to a sustainable future", the Bank aims to generate a positive impact through the activities of its customers, its own activity, as well as its relationship with and support for society.

[18] The figure includes information from Spain, Mexico, Turkey, Argentina, Colombia, Peru, Uruguay and Venezuela.

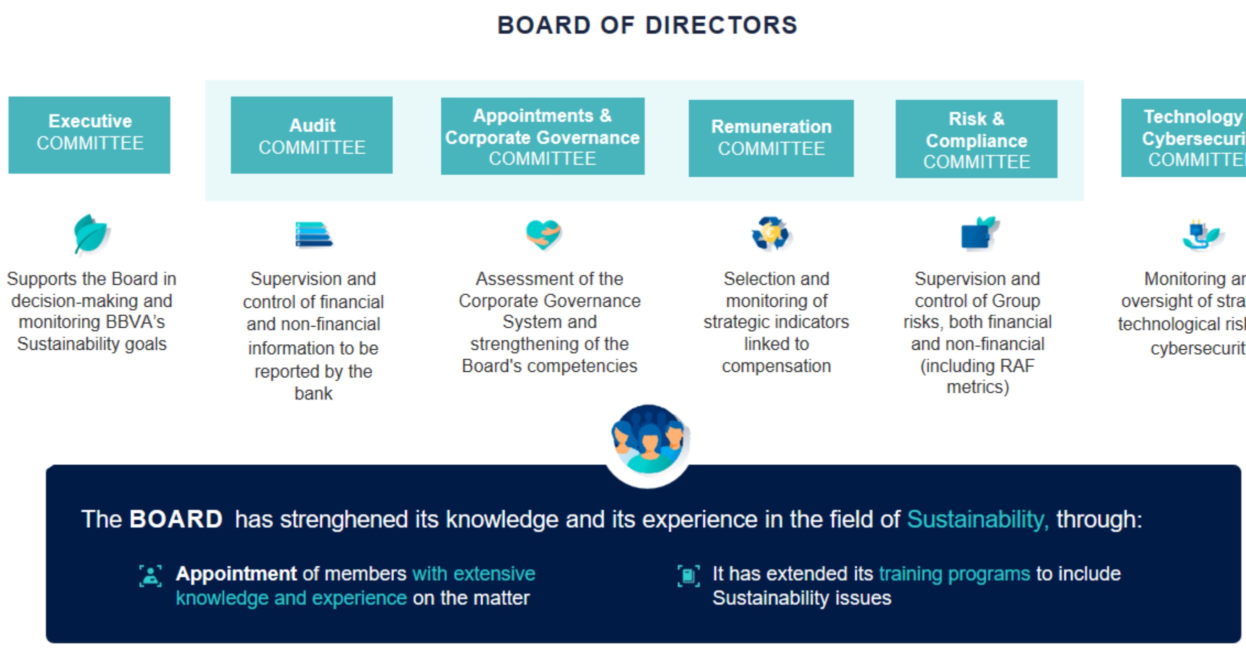
As an essential part of this approach, the Corporate Bodies promote the integration of sustainability in all the Group's businesses and activities. To this end, the Bank has a Global Sustainability Area (GSA), which has the competence, inter alia, for designing and promoting the implementation of the Group's strategic sustainability agenda (focusing on the fight against climate change, protection of natural capital and inclusive growth) and business development in this area; establishing the Group's objectives in these matters; and promoting and coordinating the different lines of work of the Group in this area, developed by the different areas; maintaining in all areas of the Group the objective of promoting integrity in the relationship with the different stakeholders.

In order to manage and supervise this area, the Board of Directors has adopted a governance model which, with the Board itself at the center, is supported by the specialized assistance of its Committees on matters within their respective areas of competence.

In this way, the Committees of the Board support this body in the development of its functions in matters of sustainability, through the attribution of specific tasks in this area. In the case of the Executive Committee, it supports the Board of Directors in decision-making and the ongoing monitoring of BBVA's strategy and objectives in the area of sustainability as well as its development and execution by the Group's executive areas. The Risk and Compliance Committee supports the Board in integrating sustainability into the analysis, planning and management of the Group's risks, and in supervising their execution. The Audit Committee supervises the the preparation process and the content of the information that must be formulated by the Corporate Bodies on sustainability for its publication as part of the Group's financial and non-financial reporting. The Appointments and Corporate Governance Committee, in addition to assisting the Board in assessing the effectiveness of the Corporate Governance System, ensures that sustainability-related competencies are taken into account when considering the composition of the Board of Directors. The Remuneration Committee analyses the selection and monitors the performance of strategic indicators linked to variable remuneration, including sustainability-related indicators, and the Technology and Cybersecurity Committee assists the Board in monitoring technology strategy and supervising technology risk and managing cybersecurity.

Through this governance model, the governing bodies define, supervise and monitor the implementation of the Group's sustainability strategy, on the basis of the reports received both from the Global Sustainability Area and from the different areas of the Group that incorporate sustainability into their reporting of their businesses and activities. These reports are submitted to the corporate bodies according to their competencies, on a regular or ad hoc basis. To this end, it should be noted that in 2023, the Corporate Bodies received, generally every two months, specific reports on sustainability matters from the Head of the Global Sustainability Area, the Head of the Talent and Culture Area or the Global Head of Risks, as well as the reports from the different areas of the Group in which sustainability-related issues were addressed.

To achieve the best performance of its functions in this area, the Board 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.



General Sustainability Policy

In 2022, the Board of Directors approved the update of the General Sustainability Policy, which integrates the previous Corporate Social Responsibility Policies and the General Sustainability Policy, and which defines and establishes the general principles, and the main 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.

The policy identifies its stakeholders and other groups (customers, employees, shareholders and investors, suppliers, regulators and supervisors as well as community investment) and different areas of action (fiscal responsibility, prevention of unlawful conduct and corruption, participation in international initiatives and commitment to human rights). In relation to human rights, this is structured in line with the BBVA Code of Conduct and uses the United Nations Guiding Principles on Business and Human Rights as a reference. For more information on Human Rights, see chapter "2.3.5 Commitment to Human Rights".

Integration of sustainability into the executive level across areas

To implement the strategy approved by BBVA's governing bodies, the Group has a Global Sustainability Area, the head of which reports directly to both the CEO and the Chairman in matters of transformation and sustainability strategy.

The implementation of the sustainability strategy is a cross-cutting issue throughout the Group, and all areas are responsible for progressively incorporating it into their strategic agenda and work dynamics. To this end, the Global Sustainability Area is responsible for disseminating the Group's sustainability principles and objectives and advising the various executive areas responsible so that these can be implemented and integrated into the Group's activities.

In this way, the Group's sustainability governance model integrates the structure of the Corporate Bodies with a transversal structure at an executive level, headed by the Global Sustainability Area, which drives the execution of the strategic priority in the different areas of the Group, in accordance with the main focuses of action on sustainability set out in the Group's General Sustainability Policy (climate change and protection of natural capital; and inclusive growth). This governance model provides the Board and its Committees with the necessary information to make appropriate decisions and to carry out their supervisory and control function.

(1) This includes: CIB Investment Banking & Finance and Client Solutions Spain, Mexico, Turkey and South America.

As detailed in the figure above, the Global Sustainability Area incorporates the business units of both Client Solutions and CIB, the business unit with which it shares its top manager, with the aim of strengthening and accelerating the integration of sustainability into the Group's business.

In addition, BBVA has developed a network of experts, made up of sustainability specialists in different areas of the Group (Customer Solutions, CIB, Asset Management, GRM, Finance, Regulation & Internal Control, Legal, Internal Audit and the Global Sustainability Area itself). These specialist teams are responsible for generating knowledge in the field of sustainability in the Group for proposals and solutions for customers, as well as for supporting the areas in the development and implementation of new value propositions in the field of sustainability, the integration of sustainability risks in risk management, the management of non-financial risks, as well as the definition of a public agenda and sustainability standards.

In 2022, the Sustainability Alignment Steering Group (SASG) was established to follow up on the alignment targets of the sectors for which targets have been set and to monitor compliance with these targets. It comprises, inter alia, the heads of the CIB, GRM, Global Sustainability Area,Strategy and Regulation & Internal Control business areas.

After passing through the SASG, the monitoring of compliance with the objectives, including an explanation of possible deviations and measures to redirect them (if applicable), is presented quarterly for review at the highest executive level and subsequently to the Corporate Bodies, at least every two years. For more information, see section “2.2.3 Alignment of the loan portfolio with the Paris Agreement”.

2.2 Environmental

2.2.1 Risks and opportunities associated with climate change

Resilience of the strategy against climate change risks

2.2.2 Management of risks associated with climate change and environmental factors

Integrating climate change into risk planning

Identification, measurement and integration of climate change into risk management

Identification and measurement of other environmental risks

2.2.3 Alignment of the loan portfolio with the Paris Agreement

Sector alignment plans

Calculation of financed CO_2e emissions

2.2.4 Management of direct environmental impacts

2.2.5 Information related to article 8 of the European Taxonomy

2.2.1 Risks and opportunities associated with climate change

To carry out the process of identifying the risks and opportunities associated with climate change, BBVA has identified the sectors with the highest transition risks and/or the highest physical risks. These sectors face substantial transformation challenges that require (and are already requiring) large investments. They are also the sectors that will demand a deeper understanding and monitoring of risks.

During this sector identification process, and for an understanding of their key risks and opportunities, the Group has relied on the support from external advisors. The results of the process have subsequently been checked with the guidelines of the Net Zero Banking Alliance (Guidelines for Climate Target Setting for Banks), where these sectors appear as the most intensive sectors in CO_2e emissions.

Likewise, in 2023, for identifying dependencies and impacts related to natural capital, the methodology employed was Encore, a tool developed by Global Canopy, UNEP FI and UNEP-WCMC (UN Environment Program World Conservation Monitoring Centre) that aids organizations in analyzing their exposure to nature-related risks, facilitating initial steps toward understanding dependencies and impacts on nature. Among the impact drivers, CO_2e emissions feature prominently, with the analyzed sectors exhibiting high impact in this driver.

Climate change risks for BBVA

In the risk identification process, two types of risks impacting the Group's businesses or its customers were identified:

Transition risks

These are the risks stemming from 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's customers whose liquidity or earnings could be harmed from having to face higher costs or, alternatively, higher investments in neutralization or reduction of emissions, derived from regulatory changes	ST
		Increase of the cost of carbon credit purchases of the Group in its business activity	ST
	Increase in monitoring, tracking and information requirements	Increase in staff and economic resources allocated to the study and monitoring of the Group's customers, control of their level of compliance with the associated requirements and increased reporting obligations.	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
		Increase in costs, reduction in demand or drop in sales due to readjustment of supply to align with new legal specifications of a product	MT
	Increase in regulatory capital requirements due to risk associated with climate change	Possibly different prudential treatment of financial assets in terms of risk weighted assets based on their exposure to physical and transition risks	MT
		Adverse regulatory changes that may cause certain exposures on BBVA's balance sheet associated with climate change to have higher capital consumption	MT
	Risks of litigation and sanctions due to climate change-related issues	Potential litigation or penalties to BBVA arising from issues related to climate change, including improper management of associated risks, whether in its business, its actions, its communications, in its supply chain or otherwise.	ST
	Risk of litigation and sanctions for third parties	Possible litigation or sanctions affecting BBVA's customers. BBVA could be impacted, among other things, by the loss of solvency of its customers as a result of such litigation or sanctions.	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.	ST
		BBVA's energy supply cost	ST
	Financial risks	Risk of a significant increase in the cost of financing clients with higher exposure to risks associated with climate change , 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 risks associated with climate change, 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	ST
		Indirect risk of loss of business from our customers for not meeting the expectations of the various stakeholders in the challenge of climate change,	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 loss of sales	ST
	Exclusions in certain sectors due to market pressures	Withdrawal from profitable deals due to reputational risk or industry regulations prohibiting or limiting it.	ST
	Increased stakeholder scrutiny	Risk derived from greater scrutiny of activities, policies, goals 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, including when certain public goals could be affected by exogenous elements, or if a perception is generated among the various stakeholders that the Group's statements, actions or communications are not in line with the sustainability profile of the Group, its products, services, goals and/or policies. Divergent views on climate change could have a negative impact on the Group's reputation.	ST

[(1)] ST: Short Term, <4 years; MT: Medium Term, 4-10 years; LT: Long Term, >10 years.

Likewise, operational transition risk has been incorporated into the entity's ordinary non-financial risk management model, establishing a Greenwashing Prevention Program at both product and entity level.

The main lines of action of the Program include both quantitative risk analysis and the development of control frameworks and other mitigating actions for the main activities that generate this type of risk (advertising and external communication, distribution of products with sustainable characteristics, etc.).

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	ST
	Development of new anti-drought products	ST
	Use of sustainable fertilizers and feed	ST
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.

Resilience of the strategy to climate change risks

The concept of climate resilience implies that organizations develop the adaptive capacity to respond to climate change, taking advantage of opportunities and managing the associated transitional and physical risks.

TCFD recommends that organizations describe the ability of their strategy to leverage opportunities related to climate change, consistent with a scenario of orderly transition to a low-carbon economy, but also their resilience to possible scenarios of increased climate risks.

As mentioned earlier, BBVA's strategy may be affected by climate-related risks and opportunities. Therefore, BBVA is working on measuring the impact of different climate scenarios, both transition and physical risks, on its strategy and business.

The first results, obtained within the framework of the Climate Stress Testing regulatory exercise promoted in 2022 by the European Central Bank, show immaterial impacts on both transition risk and physical risk. However, it is important to consider that methodological limitations, especially in terms of data and scenario design, could be underestimating the losses estimated by the financial system. BBVA is working to reinforce and strengthen bottom-up methodologies and analytical capabilities in order to obtain projections of customer financial statements and estimate impacts on collateral values based on different climate scenarios and over different time horizons.

In addition, this year it is also planned to include the impact of a physical risk event in the capital self-assessment exercise (ICAAP), in this case for the Mexican economy.

Finally, the resilience of the strategy in the face of different climate scenarios is reinforced by the fact that BBVA has set sustainability as one of its six strategic priorities, with a special focus on the fight against climate change, integrating its goal of aligning its financing portfolio with scenarios compatible with the Paris Agreement. It is also worth highlighting the intermediate targets for 2030 for CO_2 emission reductions in the oil and gas, power generation, automobiles, steel, cement, coal[19], aviation and shipping sectors.

On the business side, the analysis is ongoing and the available results point to a resilient situation, given the relatively low exposure to customers and sectors with higher weather-related risks. In fact, BBVA's wholesale exposures related to emission-intensive and transition risk-sensitive activities represent approximately 11.80% of total wholesale exposure, and 5.87% of the Group's total exposure as of December 31, 2023. Additional information on risk assessment and scenario analysis is included in "Integration of climate change in risk planning" in section "2.2.2 Management of risks associated with climate change and environmental factors".

[19] Coal phase-out in 2030 in developed countries and in 2040 globally (under the terms of the Environmental and Social Framework).

2.2.2 Management of risks associated with climate change and environmental factors

Integrating climate change into risk planning

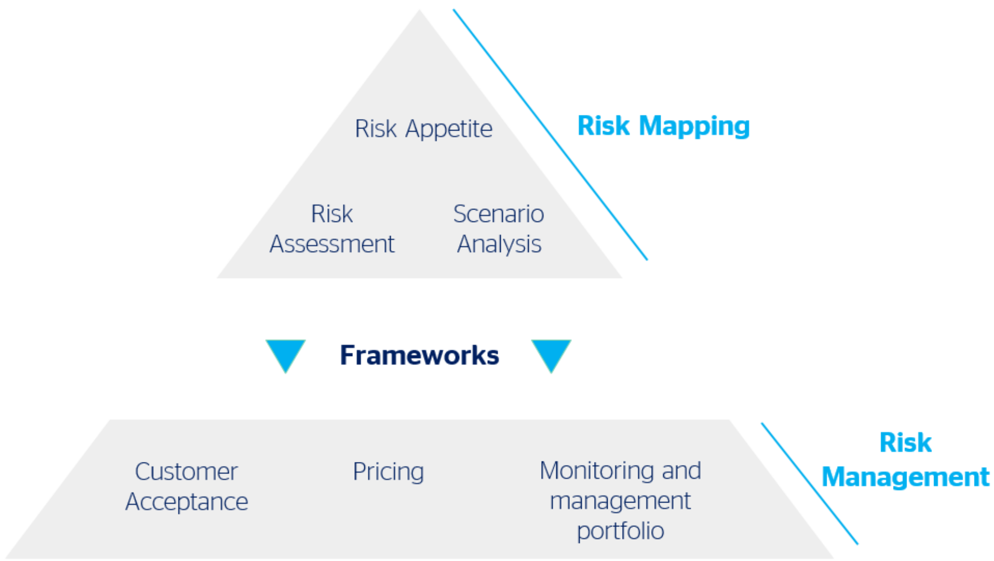
Identification, measurement and integration of climate change into risk management

Identification and measurement of other environmental risks

Integrating climate change into risk planning

The risks associated with climate change, both transitional and physical, are considered additional factors that impact the risk categories already identified and defined in the BBVA Group. These risks are managed through the Group's risk management frameworks. 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 already in place, taking into account regulatory and supervisory trends.

Climate change risk management in BBVA is based on the risk planning process, which is marked by the defined risk appetite and is specified within the management frameworks that determine its treatment of these risks in day-to-day operations.



Risk appetite Framework (RAF)

BBVA's Risk Appetite Framework (RAF), approved by the corporate bodies and applicable in all material geographic areas of the Group, determines the levels of risk that BBVA is willing to assume in order to achieve its objectives, considering the organic performance of the business. It is structured in a hierarchical manner, starting from the thresholds of the core metrics and metrics by type of risk, which result in a framework of management limits. This framework has a general statement that sets out the general principles of the risk strategy and the target risk profile. This statement underscores the commitment to sustainable development as a fundamental part of BBVA's business model, with emphasis on accompanying customers in their transition to a sustainable future. In addition, the climate component is incorporated into risk management. This statement is complemented and detailed by a quantification of the appetite through metrics and thresholds that provide clear and concise guidance to the maximum acceptable risk profile.

Since 2021, a classification of the activities most exposed to transition risk has been incorporated into the framework, using the quantitative metrics established by the Group. In this way, the Exposure at Default (EAD) of activities classified as High Transition Risk (High or Very High risk) is assessed. With respect to this classification, the Board of Directors of BBVA has approved thresholds at a Group and geographic area level, which determine the maximum appetite for this risk.

Additionally, since 2023, a new metric has been incorporated into the management limits called High Market Misalignment, which evaluates exposure to customers whose emissions intensity is above 30% of the market average. This metric has 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's Net Zero Emissions scenario for each of the sectors. The calculation perimeter is the lending portfolio of the autos, power generation, steel and cement sectors.

As part of the annual RAF review process, a new indicator has been included for 2024 linked to the degree of compliance with decarbonization targets for a number of sectors for which BBVA publishes specific targets.

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 covers several key aspects. First, a self-assessment is made on how the different risk factors associated with climate change impact the main types of existing risks (credit, market, liquidity, etc.). Secondly, an analysis is carried out of the sectors that are most sensitive to this risk under the classification that establishes the different levels of transition risk. Finally, the methodology used to assess the climate vulnerability of the different relevant geographical areas in which the BBVA Group operates is described. These last two aspects, the analysis of sectors sensitive to climate change and the assessment of climate vulnerability in specific geographic areas, are integrated into management through processes such as admission frameworks or the establishment of risk limits. This implies that the information derived from these assessments is used to make decisions related to the admission of new customers or projects, as well as to establish risk limits in specific areas, ensuring a more informed and accurate management of the climate risks associated with BBVA operations.

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, including those that are difficult to quantify. Since 2022, the General Risk Management and Control Model specifically considers sustainability 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 conducts a, primarily qualitative, climate assessment to determine BBVA's vulnerability to transitional and physical risk. In 2023, progress has been made towards a quantitative approach in the development of the Climate Risk Assessment. A series of metrics have been defined that have allowed to objectively evaluate the levels of risk, both in terms of transition risk and physical risk, and in the case of physical risk, evaluating potential impacts for each of the hazards analyzed. In addition, progress has been made in estimating the impact of both transition risk and physical risk on BBVA's strategy and business model. The results are submitted to the highest executive risk committee (GRMC), as well as the corporate bodies, as this assessment is integrated into key corporate processes such as the Risk Appetite Framework and the Internal Capital Adequacy Assessment Process (ICAAP).

The climate change risk assessment process runs in parallel with the Group's global risk assessment, but with a broader time focus. An analysis is carried out for a short term (4 years), medium term (4-10 years) and long term (more than 10 years) horizon, which allows for a comprehensive consideration of expected impacts. The assessment of climate change risks includes, as for the other risks, the 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 could have a significant impact on the Group. A matrix of risk events identified in 2023 is prepared and represented in figures according to their estimated impact on the BBVA Group and their assigned probability.

RISK MATERIALIZING IN THE SHORT TERM: TIME HORIZON 12-18 MONTHS

Since 2019, climate risk has been considered a material event in this inventory. Climate change risks are classified into physical and transitional risks. In the short term (12-18 months), an accelerated transition to a low-carbon economy is considered to be a medium-low impact risk event, although the probability given to this type of scenario is currently medium-low. Over a medium/long-term time horizon, the risk of physical climate change is incorporated into the inventory of emerging risks (those that could have an impact over a longer time horizon) and is assigned a medium risk.

2. Risk level assessment: This approach is based on an assessment of the profile of each type of risk, which is reflected in a heat map. In 2022 the analysis was extended to the six most relevant geographical areas of the BBVA Group (Spain, Mexico, Turkey, Argentina, Peru and Colombia), and during 2023 the business risk analysis was incorporated. This financial year incorporates various factors, such as the carbon footprint of customers, the energy efficiency of real estate collateral and financed emissions, among others. 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.

The conclusions of the assessment for 2023 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. On the contrary, a lower risk derived from regulatory pressure is observed in emerging geographic areas. The factor with the biggest long-term impact on credit risk is that derived from investment in climate change which will have to be carried out by companies in the decarbonization process. 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 in the medium-long term.

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 also 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), due to the greater exposure of the latter to physical risk in the medium and long term.

RISK ASSESSMENT CLIMATE CHANGE 2023

	Spain			Rest of geographical areas		
	ST	MT	LT	ST	MT	LT
Transition risk						
Credit						
Liquidity and funding						
Structural equities risk						
Credit spread risk						
Markets (trading)						
Insurance						
Operational						
Reputational						
Business						
TOTAL						
Physical risk						
Credit						
Liquidity and funding						
Structural equities risk						
Credit spread risk						
Markets (trading)						
Insurance						
Operational						
TOTAL						

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
- Medium-low risk
- Medium risk
- Medium-high risk
- High risk
- Not applicable

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:

1. The baseline budget scenario includes an analysis of the climate policies in force in each relevant geographic area of the Bank's footprint, their effective importance within the general economic policy framework, their consistency with the transition to a decarbonized economy and with the budget scenario itself. Potential biases on expected economic growth are therefore qualitatively assessed.
2. Incorporation of transitional climate risks into one of the alternative risk scenarios (HLRS) that are continuously monitored and evaluated by the Scenario Working Group. Ongoing monitoring of alternative risk scenarios aids in the selection of the scenario to be used in the Group's capital self-assessment process (ICAAP).

Since 2022, various physical risk events have been assessed in the Group with the aim of considering them as input for the ICAAP. In 2022, a drought risk scenario was considered for Spain, and in 2023, among the events taken into account as an add-on to the adverse ICAAP scenario, a risk scenario for the Mexican economy triggered by cyclones was considered. The information available on the frequency and increasing severity of this type of event and the literature on the magnitude of its impact on the economy justifies its relevance as an acute climate risk event in Mexico.

Regulatory and supervisory scenarios and stress tests

In October 2021, the ECB published the methodology for carrying out a stress test exercise on climate change risk, scheduled to run between March and July 2022. A total of 104 institutions participated in this exercise in full or in part, and of these, 41 institutions, including BBVA, carried out the full exercise. This exercise consisted of three distinct modules, each with specific focuses:

1. Module 1: consisting of a qualitative questionnaire about the internal climate stress testing framework including 11 blocks with topics related to governance, the Risk Appetite Framework (RAF), integration into the strategy, the ICAAP and future plans.
2. Module 2: focusing on the analysis of the entities' current portfolio with respect to revenue dependence on polluting sectors[20] as well as financed emissions associated with those sectors.
3. Module 3: focusing on performing loss projections and bottom-up tests with different types of risks and time horizons:
    - Transition risks:
        - Short-term (3-year projection): including both credit risk and market risk. It was based on the Disorderly scenario of the Network for Greening the Financial System (hereinafter NGFS).
        - Long term (2030-2040-2050): included only credit risk and considered dynamic balance sheet projections. These projections were based on 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 were made, each considering different scenarios: one of floods and the other of drought with heat wave.
    - The exercise covered operational risk and reputational risk through qualitative questionnaires.

In order to comply with the methodology required by the ECB in this exercise, a sectoral layer was incorporated into the loss projection models. These models, together with the sectoral scenarios published by the ECB, allowed the projections to be made taking into account the idiosyncrasies of each sector. In this way, the possible differences in sensitivities to the risk of climate change in each of them were adequately reflected through differentiated impacts.

[20] 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

Along with incorporating climate change risk into risk planning and business strategy, its integration into decision-making at the customer and operation level is necessary. This involves the adaptation of standards, sectoral policies and processes, the development of tools and the availability of customer and transaction data that were not usually managed by financial entities.

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 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 focuses very particularly on the integration of transition risk in the Sector Frameworks (basic tool in defining the risk appetite in wholesale credit portfolios) where specific criteria are specified in the admission guidelines. During 2023, the sectoral analyzes of the risks derived from decarbonization have been updated and complemented according to reference scenarios. Compliance with the definition of appetite established in the Sector Frameworks is a condition that must be met, in turn, by the alignment plans that are prepared for each sector with emissions reduction objectives.

Measurement and integration of transition risk

Since 2021, BBVA has had an internal sector classification of transition risk. Its main objective is to identify the vulnerability of sectors to transition risk and organize them based on this aspect.

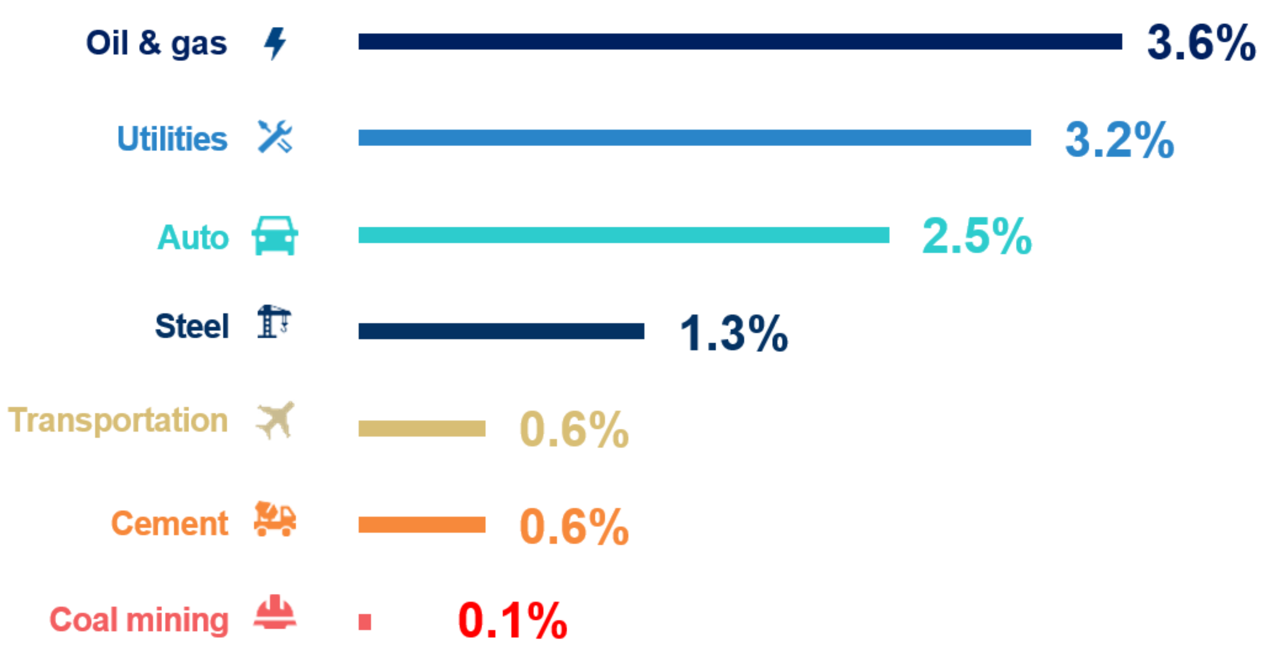
The estimation of the level of vulnerability to transition risk is carried out based on a qualitative analysis that evaluates the level of exposure of each sector to regulatory, technological and market changes motivated by decarbonization that may have a financial impact on companies in the sector.

In this way, the sectors are categorized as having very high, high, moderate or low vulnerability. The activities most sensitive to transition risk, or HTR sectors, are identified as the energy generating or fossil fuel sectors (oil and gas, power generation, coal mining); basic emissions-intensive industries (steel, cement) and end-user activities of energy that generate emissions through their products or services (automobiles, aviation and shipping).

As a result of this exercise, with data as of December 31, 2023, 11.80% of the exposure (measured by EAD) of the wholesale portfolio has been identified (equivalent to 5.87% of the Group's portfolio) that corresponds to sectors that we define as HTR, with a high or very high level of exposure to this risk. This calculation has been carried out on a portfolio of 223,469 million euros (of the Group's total EAD of 449,418 million euros), corresponding to the EAD of the wholesale loan portfolio.

Below is the percentage of exposure measured by EAD of the sectors sensitive to transition risk of the wholesale portfolio over the EAD of the same portfolio as of December 31, 2023:

EXPOSURE TO SECTORS SENSITIVE TO TRANSITION RISK (% OF WHOLESALE EAD)



Prepared by BBVA.It includes the percentage of exposure (exposure at default) of activities defined internally as "transition risk sensitive" on the EAD of the wholesale portfolio as of December 31, 2023 (does not include subsidiaries of Garanti, Forum Chile, Uruguay, Venezuela and BPI). The "transition risk sensitive" portfolio includes energy or fossil fuel generating activities (oil and gas, power generation, excluding renewable generation and water treatment, waste and coal mining), basic industries with emissions-intensive processes (steel and cement), end-user activities of energy, through their products or services (automobiles, aviation and shipping), with a level of sensitivity to this risk, high or very high.

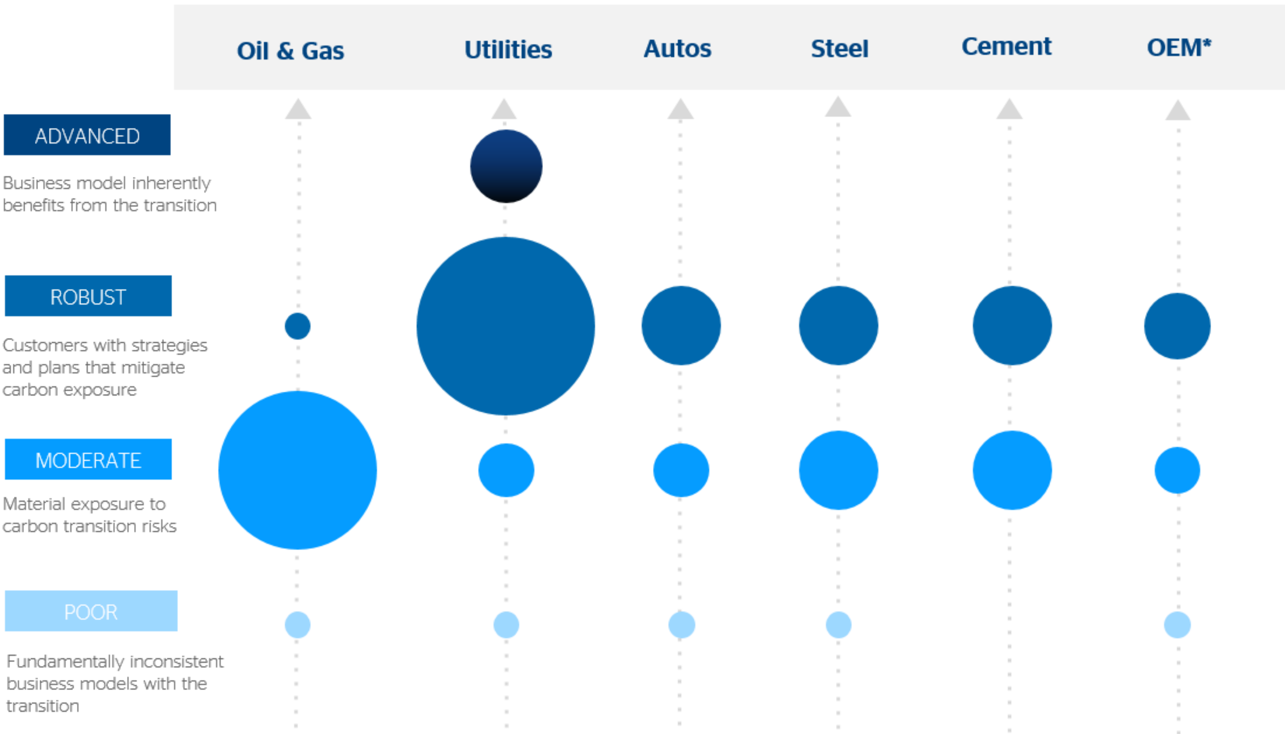
Since 2022, this calculation was introduced for the small business sector (SMEs and the self-employed). The results obtained in 2023 indicate that the EAD associated with high or very high transition risk in this portfolio is limited, at around 3%, and is mainly concentrated in Spain and in the automobile components subsector.

In sectors classified as HTR, the management criteria defined in the Sector Plans have been reinforced. This analysis leads, in certain cases, to establishing credit risk mitigation measures, such as limiting long-term exposure.

The analysis of customers in the HTR sectors is supported by a score developed by BBVA called Transition Risk Indicator (hereinafter TRi), which allows the integration of the customer's low-carbon profile, the level of regulatory pressure in the geographical areas where it is present , its level of disclosure on climate management in line with the TCFD recommendations and the ambition and maturity of its decarbonization objectives. The result of the score is a valuable tool to classify customers by their level of exposure to transition risk and maturity in its management. This classification allows the risk mitigation policies established in the Sector Frameworks to be applied. Likewise, TRi is a valuable tool for customer segmentation in sectoral alignment plans for the portfolios that are part of BBVA's objectives.

During 2023, a version of the TRi has been developed for the auto parts sector, which joins the existing ones for the oil and gas, power generation, auto, steel and cement sectors. The number of customers for whom the transition score is available has significantly expanded. The following image shows the results of the transition score of the main customers in the portfolio (the size of the circles represents the number of customers in each category):

TRANSITION SCORE OF MAJOR CUSTOMERS BY SECTOR



*Original Equipment Manufacturer

In the chapter related to process integration the use of the Client Sustainability Toolkit has been implemented in 2023 in the corporate banking segment, a common front for the risk and business teams that allows the visualization of updated information on customers referring to sustainability, integrating information from external databases -among others, CO_2 emissions, decarbonization objectives, ESG ratings, controversies-, the results of internal calculation engines - such as the level of alignment, financed emissions and the TRi - and Additionally, it allows manual data capture by the teams involved in customer review. The calculation of the TRi score is integrated into this work environment. During 2023, information has been collected regarding approximately 1,500 corporate customers from all the geographies where BBVA operates.

In the Retail portfolio, during 2023, progress has been made in the integration of sustainability issues, and in particular on those related to decarbonization, in the Action Frameworks for Mortgages, Small Businesses and Vehicle Loans. One of the main aspects that determine the transition risk of these portfolios is the financed carbon emissions associated with each of them. Therefore, the calculation of financed emissions serves as a lever to identify the portfolios most sensitive to changes in regulation, technology or energy or CO_2 prices.

In turn, as a risk mitigation lever, BBVA acts as a facilitator of financing investments that are necessary for mitigation and adaptation to climate change with more sustainable ways of life and products. Based on the definition carried out in 2021 of the sustainability criteria to classify when a guarantee is considered sustainable, BBVA has applied differentiated prices to loans with sustainability content, such as in the “Efficient House Mortgage”, for homes with consumption letter A or B. As with mortgages, financing with sustainable products is encouraged when sustainability criteria are met, in this case, for electric cars or plug-in hybrids.

The availability of highly specific customer and operational data is an essential requirement for effective climate and environmental risk management. During 2023, the deployment of the sustainability data strategy has continued, reevaluating data needs, identifying data gaps, and developing a business process review plan to eliminate said gaps. Among the data considered are those that satisfy both regulatory and management needs, such as those necessary for the calculation of the TRi, energy efficiency certificates for properties taken as collateral, ESG ratings, greenhouse gas emissions, location of assets and collateral and specific sector metrics

In particular, BBVA continues to make progress in collecting data on real Energy Efficiency Certificates (EEC) of real estate assets in the geographies where this type of certificate exists. In the case of Spain, work is being done to integrate the CEE into mortgage origination. To this end, BBVA is actively participating in various sector forums, with the aim of eliminating the barriers that currently prevent the capture of the CEE in 100% of the operations and of standardizing methodologies for assessing transition risk in collateral at the European level, providing transparency to the market. In the rest of the regions where there is no legislative framework comparable to that of the European Union regarding the energy efficiency of buildings, BBVA carries out projects aimed at estimating energy consumption and financed emissions that are as close to reality as possible and allow their integration into risk processes.

Classification and measurement of physical risk

Physical risk is associated with the location of the assets and the vulnerability based on their activity and can materialize in credit risk through different transmission channels, impacting in multiple ways such as, for example, the purchasing power of customers, productivity. of business, market demand or asset value. During 2023, BBVA has experienced relevant learning in this field and its level of maturity and knowledge of the different methodologies for assessing physical risk has advanced considerably. These advances represent a first approximation due to the complexity of carrying out an evaluation of the exposure and impacts of physical risks.

BBVA has continued to make progress in evaluating the materiality of chronic and acute risks in the different portfolios. The analysis of physical risk is structured around three pillars:

Threat

Regarding the threat, the methodology of the World Bank's Think Hazard tool has been followed. This tool indicates the risk levels of different natural hazards, both acute (cyclone, heat waves, forest fire and river flood) and chronic (drought and coastal flood), at a global level and with different details 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 threats. It is important to note that the information used is provided by a series 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 geographic areas; specifically, tropical cyclones, coastal and river flooding, and forest fires.

Exposure

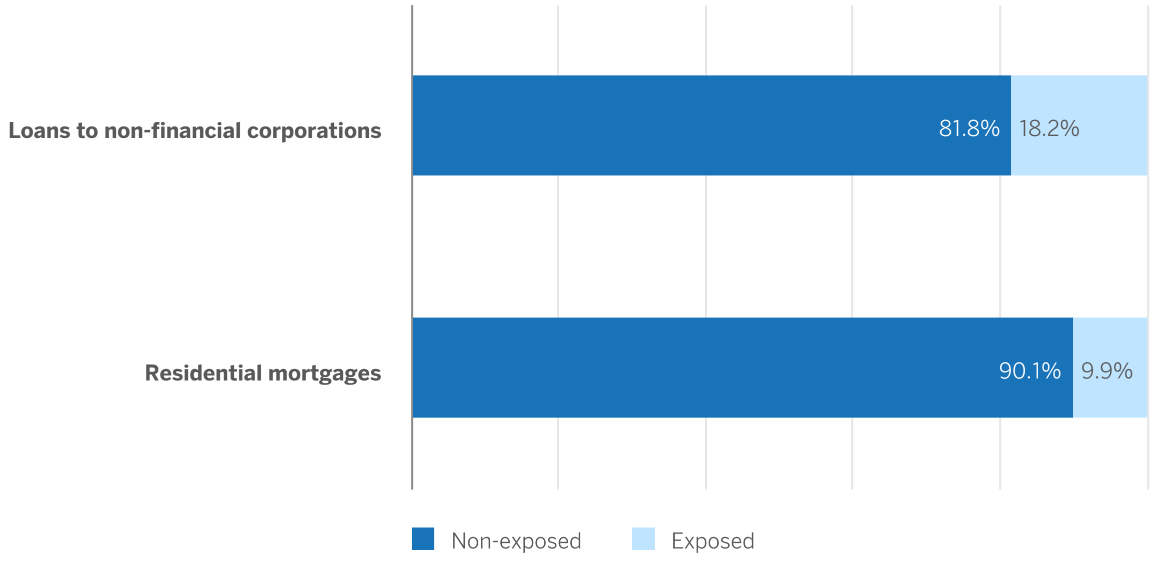
For the exposure component, during 2023 the granularity of the analysis carried out has been increased by optimizing the relationship between the administrative levels of the Think Hazard tool and the postal codes available in the different BBVA portfolios. In addition, work has been done to make standardized and detailed information available on the locations of the guarantees and assets available in the databases to be able to convert between postal addresses and geographic coordinates.

Vulnerability

For the vulnerability component, during 2023 the sectoral granularity of the analysis for wholesale banking and SMEs has been maintained. This analysis is carried out based on eight indicators that capture direct and indirect physical impacts, so that the sensitivity of each sector to climate hazards is indirectly evaluated by analyzing its sensitivity to these vulnerability indicators. This methodology follows 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 climate.

Threat and vulnerability scores are applied at the contract level based on location to identify physical risk exposure. As a result, the sectors identified with the greatest vulnerability to physical risks have been Energy Generation, Basic Materials, Construction, Consumer and Real Estate.

EXPOSURE TO PHYSICAL RISK AS OF DECEMBER 31, 2023 (PERCENTAGE) [1]



[1] The breakdown includes the portfolios of Spain, Mexico, Turkey, Peru, Colombia and Argentina.

During 2023, work has begun on having greater analytical and data capabilities, necessary to accurately evaluate and quantify the impacts of physical risk. Specifically, work is underway to generate client-level projections of expected losses due to acute and chronic climate hazards. These projections are made according to different climate scenarios, including a RCP 7.0 greenhouse gas concentration scenario, and in different time horizons up to 2100. The work carried out has initially focused on Spain's mortgage portfolio based on information standardized locations of guarantees and in the wholesale portfolio for Corporate customers. During 2024, the implementation of these capabilities will continue in the rest of the portfolios and geographies.

Identification and measurement of other environmental risks

The global effort to combat climate change cannot be effective without simultaneously addressing the natural capital challenge. To reflect this, the transition plans of companies should be improved to reflect their dependencies and impacts on nature and biodiversity and to include the just transition. Ensuring healthy ecosystems and combating climate change are intrinsically linked challenges. Global warming affects ecosystems directly, e.g., through their loss.

According to BBVA's General Sustainability Policy, Natural Capital comprises the earth's natural assets (soil, air, water, flora and fauna), and the ecosystems resulting from them, which make human life possible.

Strategy

BBVA includes Natural Capital in its holistic vision of sustainability that covers all geographies. For more information on the strategy and objectives related to Natural Capital, see section "2.1.1 ESG strategy and objectives".

Policies and frameworks

The General Sustainability Policy expressly includes 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 as well as natural ecological species and processes, and considers biodiversity and natural capital in its relationship with its customers. For more information on the governance model and applicable policies, see section "2.1.6 Governance Model".

The Environmental and Social Framework specifically includes a series of prohibited activities related to biodiversity loss and combating deforestation:

- New projects that threaten UNESCO World Heritage sites and biosphere reserves, Ramsar-listed wetlands, Alliance for Zero Extinction sites, IUCN Category I-IV protected areas and Key Biodiversity Areas, as well as legally protected areas such as national parks and wildlife reserves.
- New projects involving resettlement or infringement of the rights of indigenous or vulnerable groups without their free, prior and informed consent.

- New projects related to deforestation: burning of natural ecosystems for the development of agricultural or livestock projects, removal of forests with high conservation value and high carbon content, non-certified palm oil farms 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 since 2022, projects in key biodiversity areas of the International Union for Conservation of Nature (IUCN), the Brazilian Amazon and the 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 addition, the Equator Principles were updated in 2020, strengthening their focus on biodiversity. Signatories, one of them BBVA, are committed to supporting conservation, including the goal of improving the evidence base for biodiversity-related research and decisions.

Risk management

Following international reference frameworks such as SASB's Materiality Map and rating agencies, BBVA has identified the sub-sectors of activity that it finances and the most relevant environmental and social factors of each one, including, in addition to climate change, aspects related to natural capital 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.

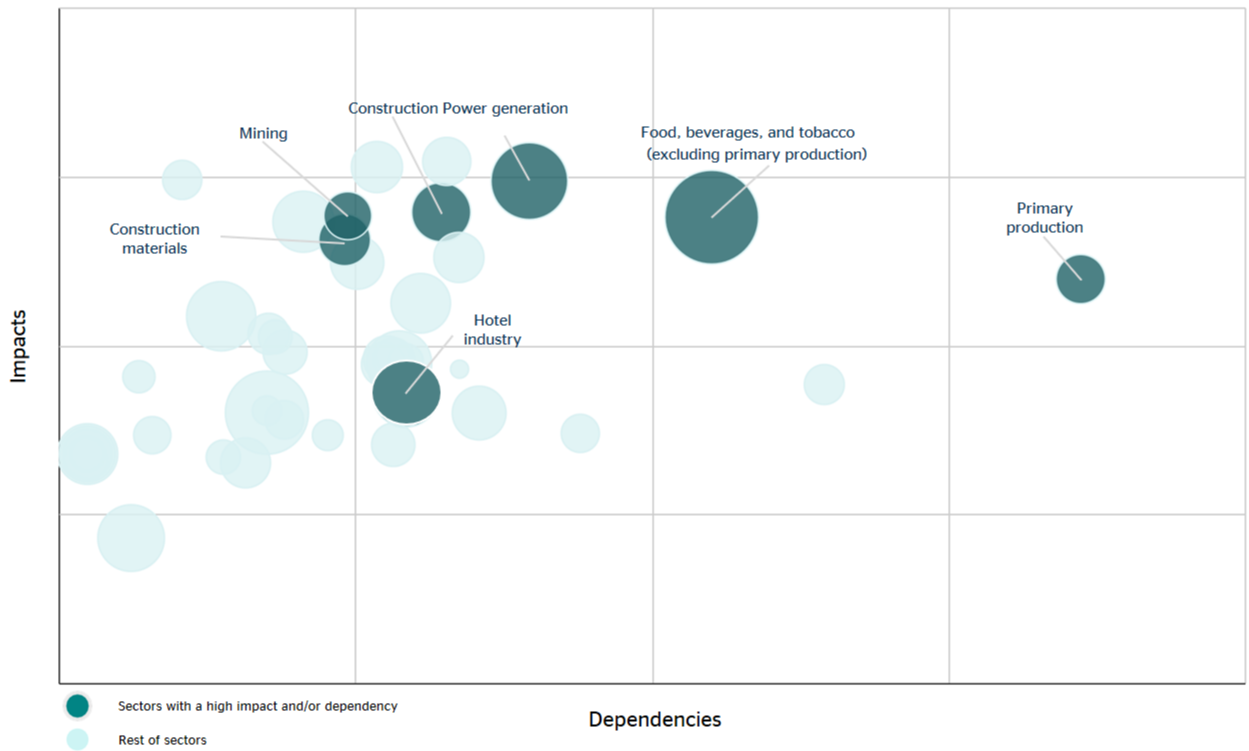
Customer activity can affect natural capital (impacts) while the loss of natural capital can generate risks for the operations and business model of BBVA's customers (dependencies).

- Customers with a high ecosystem impact face a higher level of transition risk due to regulatory and policy changes, the substitution of more efficient and cleaner technologies, changes in consumer demand, and market shifts.
- Customers with high dependence on natural capital may face increased physical risks generated by ecosystem deterioration such as reduction in available water resources or loss of storm and flood protection capacity.

During 2023, BBVA updated the heat map of impacts and dependencies it conducted during 2022. The ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool methodology developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC was predominantly used. It is also consistent with aspects contained in other reference tools such as the SBTN Materiality Screening Tool, developed by the Science Based Target Network (SBTN) and included, in a qualitative manner, the impacts and dependencies of the value chain (the dependencies and impacts of the upstream sector of each of the financed sectors have been included).

The circles included in the figure represent BBVA's exposure at subsector level as a percentage of total EAD excluding the exposure to sectors outside the scope of this financial year, like non-financial companies and institutions.

NATURAL CAPITAL - HEAT MAP OF IMPACTS AND DEPENDENCIES



Sectors with high or very high dependence on natural capital account for 5.32% of wholesale banking EAD of the Group as of December 31, 2023 while those sectors with high or very high impact account for 27.39%.

As a result of this analysis, seven sectors have been identified as having a significant impact and/or dependence on natural capital: (1) Agriculture, livestock and fishing (primary production); (2) Food, beverage and tobacco production (excluding primary production); (3) Construction; (4) Construction materials; (5) Hotel industry; (6) Mining; and (7) Power generation:

- The dependence is largely due to the fact that customers operating in these sectors (i) rely on ecosystems for water (inputs), while (ii) ecosystems protect customers' business continuity from potential risks and disruptions such as floods and storms or, erosion control through vegetative cover.
- In terms of impact, the main impacts in these sectors are due to the amount of water and land used in their production processes, the waste generated, as well as the contamination of terrestrial and aquatic ecosystems.

For the main customers these seven prioritized sectors relevant metrics have been identified and obtained[21]. The evaluation of these metrics allows us to inform the client admission process, identifying those metrics to take into account in Know Your Client (KYC) and offering references both for the definition of risk mitigation criteria and for Advisory with wholesale customers.

Given the importance to BBVA's loan portfolio and dependence on water resources during 2023, the scope of water stress risk assessments at the customer level has been extended to major customers in the Power Generation and Cement sectors. This assessment was carried out using the World Resources Institute's (WRI) Aqueduct Water Risk Atlas tool, which identifies water risk at the locations of its customers' power generation plants. This tool identifies the water risk of the customer's assets today and in the year 2040 with a greenhouse gas concentration scenario RCP 8.5 (IPCC hot house scenario).

The results of the assessment are a water stress risk score of the customer and of the assets. The results of this analysis show that approximately 23% of the total installed capacity of the customers analyzed of the Power generation sector has a high or very high risk of water stress and approximately 18% of the cement production plants of the customers analyzed of the Cement sector have a high or very high risk of water stress.

Furthermore, the water management strategies of the customers analyzed, the targets set and the historical performance of water consumption were analyzed. In this way, by combining water risk exposure based on asset locations and water management strategies, we can identify those customers who are making progress in water risk management.

In 2024, progress will continue to be made in assessing natural capital risks and their financial impacts in those sectors identified as priority sectors, with a special focus on water. In addition, integration will be systematically promoted in the customer analysis processes through the Sector Action Frameworks, which define the risk appetite at the sector level and risk management policies at the customer level.

[21] These metrics are inspired by international reporting frameworks such as ISSB (International Sustainability Standards Board), ESRS (European Sustainability Reporting Standards), GRI or TNFD (Task Force on Nature-related Disclosure).

Opportunities

In line with its strategy, in 2023, BBVA launched new lines of work to strengthen solutions for business and corporate customers on water-related issues inspired by the Water Footprint Loan (first syndicated credit line linked to indicators related to water footprint reduction launched in 2022). In 2023, BBVA and the International Finance Corporation (IFC) launched the first blue bond in Colombia, aimed at supporting initiatives related to the protection of the country's water resources.

BBVA has developed internal standards to promote the financing of sustainable fishing activities with the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) labels and also supports reforestation projects in the framework of purchase of carbon credits.

As a member of the TNFD Forum (Task Force on Nature-Related Financial Disclosures or TNFD) since 2022, BBVA follows the publication of the different versions of the framework for the management and disclosure of nature-related risks and opportunities and the published guidelines.

In 2023, BBVA also joined:

- UNEP-FI Biodiversity Community, designed as a capacity building program for banks embarking on their biodiversity journey
- UNEP-FI's PRB Nature Target Setting Working Group, contributing to the publication of a guide for the establishment of nature-related targets. Spain's Water Footprint Loan and Colombia's brokered blue bond, mentioned in previous paragraphs, have been recognized as best practices in the aforementioned guide.

2.2.3 Alignment of the loan portfolio with the Paris Agreement

Achieving net zero emissions by 2050 includes addressing emissions from customers who receive financing from the Group. In order to support its customers in the transition towards a more sustainable future, BBVA intends to publish alignment objectives to 2030 alignment targets for the sectors defined in the Net Zero Banking Alliance's Target Setting Guide.

These alignment objectives[22] involve establishing specific objectives for the different sectors that are considered the largest emitters. According to the aforementioned Guide, these objectives must be determined at the sector level, which implies that adapted and specific goals will be set for each economic sector, in order to reduce its carbon footprint and move towards emissions neutrality. This sectoral approach makes it possible to address the specific particularities and challenges of each industry on its path to environmental sustainability.

Considering the previous, BBVA announced in 2021 its objective of phasing out its thermal coal activities by 2030 in developed countries and by 2040 globally (under the terms of the Environmental and Social Framework).

Likewise, in 2021, using the PACTA (Paris Agreement Capital Transition Assessment) methodology, BBVA published alignment objectives for 2030 for the power generation, automobile, steel and cement sectors. The Net Zero scenario of the International Energy Agency (IEA_NZE) and the Institute for Sustainable Futures Sectoral Pathways to Net Zero Emissions (ISF NZ) was used as a benchmark. In 2023, the International Energy Agency published an update to the net-zero emissions scenario for 2050. BBVA's interim 2030 decarbonization targets published in 2021 remain unchanged.

During 2022, BBVA published its alignment objective for the oil and gas sector. BBVA is participating in the definition within the NZBA of a specific guideline for this sector. However, given its relevance to global emissions, it was decided to publish a metric that would collect the largest amount of emissions given the information available. For the calculation, the PCAF methodology has been used and an absolute emissions reduction target of scope 1, 2 and 3 has been established for oil exploration and production.

In 2023, alignment objectives to 2030 have been published for the aviation and shipping sectors. The Net Zero scenario of the International Energy Agency (IEA_NZE) for aviation and the Strategy established in 2018 by the IMO (International Maritime Organization) on emissions reduction for maritime transport have been used as benchmarks.

The following table presents, for the sectors in which alignment objectives have been defined, the details of the metrics chosen , the scope of emissions considered, the scenario used, the business-as-usual metric, the methodology used, the decarbonization target by 2030 and the attributed CO_2 emissions associated with the value chain in absolute terms:

[22] The achievement and progressive advancement of decarbonization objectives will depend to a large extent on the actions of third parties, such as customers, governments and other interest groups, and, therefore, may be materially affected by said actions, or by lack of it, as well as by other exogenous factors that do not depend on BBVA (including, but not limited to, new technological and regulatory developments, war conflicts, the evolution of the climate and energy crises, etc.). Consequently, these objectives may be subject to future revisions.

Sector	Metric	Emission scope	Scenario	Baseline [1]	2030 target	Target Reduction	2022	2023	Market scenario	Reduction 2022 vs baseline	Reduction 2023 vs baseline	Methodology	Attributed emissions associated with the value chain (MTn CO_2e) [2]
Oil & Gas (upstream)	Absolute emissions upstream (million t)	1&2&3	IAE_NZE	14	9.8	(30)%	12.5	10.6	n/a	(10.71)%	(24)%	PCAF	n/a
Power (generation)	Emission intensity (Kg CO_2e/MWh)	1&2	IAE_NZE	221	107	(52)%	212	167	425	(4.07)%	(24)%	PACTA	5.1
Autos (manufacturers)	Emission intensity (g CO_2/v-km)	3	IAE_NZE	205	110	(46)%	195	173	163	(4,88) %	(16)%	PACTA	0.9
Steel (manufacturers)	Emission intensity (Kg CO_2 /tonne steel)	1&2	ISF-NZ	1,270	984	(23)%	1200 (3)	1,181	1720	(5.51)%	(7)%	PACTA	1.5
Cement (manufacturers)	Emission intensity (Kg CO_2 /tonne cement)	1&2	ISF-NZ	700	579	(17)%	690	713	700	(1.43)%	2%	PACTA	1.6
Coal (thermal coal mining)	Total amount committed (€Mn) [4]	n/a	n/a	*	*	*	1,701	1,552	n/a	n/a	(9)%	n/a	n/a
Aviation (airlines)	Emission intensity (Kg CO_2e/PKM) [5]	1	IAE_NZE	88 [6]	72	(18)%	88	89	93	n/a	1%	PACTA	0.28
Shipping (operators)	Alignment delta	1	IMO	+6.8%	</=0%	For more information on the alignment of the shipping sector, see section "8. Shipping" within the section "Sector alignment plans".							0.4

n/a: not aplicable.

* BBVA has a phase-out commitment of its exposure to coal customers by 2030 in developed countries and by 2040 globally.

(1) Baseline 2020 for the Power generation, Autos, Steel and Cement sectors; 2021 for Oil & Gas; 2022 for Aviation; for Shipping, the delta of the alignment is calculated based on the annual trajectory set by the IMO.

(2) The calculation of the attributed emissions associated with the value chain was carried out by aggregating all the emissions of the different NACE (statistical classification of economic activities in the European Community) sectors of the sectors under analysis. These NACE sectors comprise more sectors than those included in the PACTA calculation since PACTA methodology is only applied for 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 was carried out using the PCAF methodology and includes BBVA, S.A. emissions.

(3) The emissions intensity data for the steel sector for the 2022 financial year differs from that published in the 2022 Non-Financial Information Statement due to updates and additional checks.

(4) The total amount of the financing portfolio weighted by the revenues from thermal coal mining or by the installed capacity for the generation of electrical energy derived from thermal coal with coal customers (defined in the terms of the Environmental and Social Framework) amounts to 1,552 million euros as of December 31, 2023. The total amount of the financing portfolio weighted by the revenue from thermal coal mining or by the installed capacity for the generation of electrical energy derived from thermal coal with coal customers who have limited expectations of making the transition in time to meet BBVA's coal phase-out target on the same date amounts to 225 million euros.

(5) PKM (Passenger per kilometer) measures the intensity of emissions per passenger per kilometer traveled. It is determined by multiplying the number of passengers (total seats per freight factor) by the kilometers traveled. The gCO_2/PKM metric of BBVA's portfolio is adjusted by the belly freight factor.

(6) The IEA_NZE scenario does not consider the belly freight factor. Without considering this factor, the emissions intensity data in the base year 2022 is 103gCO_2/PKM. Applying the 2030 reduction target to the base year without the belly freight factor, the 2030 emissions intensity target is 85gCO_2/PKM.

It is important to emphasize that the baseline of these metrics may vary, since the sources of information used[23] and the methodology are constantly evolving. BBVA's objective is to maintain the level of reduction ambition even though the baselines may change. Additionally, the fulfillment of these objectives is not expected as a linear process in the short term. To achieve these in the long term, it may be necessary to assume some deterioration in the alignment metric in the short term.

Following the climate target guide for banks published by the NZBA, during 2024, BBVA will continue working to establish decarbonization targets for the rest of the CO_2-intensive sectors, such as aluminum, commercial and residential real estate, and agriculture. This planning will be carried out as long as there is a recognized methodology and data available to carry out said evaluation.

The internal tools developed by BBVA are essential to integrating the management of reduction objectives into daily risk processes. These tools include:

- TRi, a tool to assess the current emissions profile and decarbonization strategies of each customer with a sectoral approach and based on the analysis of the most significant variables. This allows them to be categorized according to their transition risk and the maturity of their plans, allowing personalized advice on their decarbonization strategy.
- Sustainability Client Toolkit, a tool that gathers ESG information from large corporations and/or entities with public information necessary for management, and offers it in a single repository. This makes it easy for front-line teams to access and use.

These resources are essential for portfolio alignment management and contribute to defining the risk appetite included in the Sector Frameworks. They allow for a comprehensive and detailed view of customers' ESG metrics and their impact on risk management strategies.

Sectoral alignment plans

According to the Net Zero Banking Alliance (NZBA) guidelines, within 12 months of the publication of sectoral targets, banks must publish, at a minimum, a high-level transition plan outlining the actions planned to be implemented in order to meet the targets (customer support, sectoral policies, capacity building, development of tools and products, strategy to increase the customer base, etc.).

BBVA has translated this into a sectoral approach by developing sectoral alignment plans that make it possible to analyze the part of the portfolio with the highest CO_2e emissions and deploy a decarbonization strategy to meet the goal of zero net emissions by 2050.

Each plan includes a detailed analysis of each sector, assessing its role in the decarbonization of the economy, identifying opportunities and risks, and defining response strategies. The sector alignment plans include an analysis of the current state of the portfolio and the situation with respect to the target set by the BBVA Group for the sector. It also identifies the core areas for managing portfolio transition risk, including portfolio alignment metrics. The plans are based on risk considerations and on the identification of business opportunities with existing and new customers, expressed through different levels of appetite for customers in the sector.

All this is reflected in the formulation of a sector specific strategic plan that defines a commercial strategy for:

- Guiding selective growth by financing and supporting existing and new customers who are making progress in their transition to net-zero emissions by 2050
- Monitoring progress in the alignment exercise, to meet the intermediate targets set for 2030.
- Mitigating risks related to decarbonization in the balance sheet.

The sector alignment plans have been developed by multidisciplinary working groups made up of teams from GRM, the Global Sustainability Area and Strategy. These groups have developed sector alignment plans,covering several key sectors such as oil and gas, power generation, automobiles, steel and cement, coal, aviation and shipping.

BBVA has developed specific tools to facilitate effective management and compliance with alignment objectives, such as:

- The alignment management dashboard: uses data provided by the internal calculation process based on the PACTA methodology to monitor progress on portfolio alignment and reduction targets by sector.
- The "What If" simulator. This allows real-time evaluation of the potential impact of transactions on the decarbonization curve of each customer, as well as on the BBVA Group's portfolio curve for the corresponding sector, enabling proactive and dynamic management of the loan portfolio.

In addition, these plans integrate risk considerations supported by tools such as the TRi, and the Sustainability Client Toolkit, thus ensuring responsible and sustainable management aligned with the objectives of the Paris Agreement. For more information on these tools, see "Alignment of the Loan Portfolio with the Paris Agreement" above.

Additionally, following the recommendations of GFANZ, in the annual update of the sector alignment plans, it is planned to incorporate part of the analysis of the dependencies and impacts on natural capital, as described in the “Integration of natural capital” section. Aspects related to a just transition are also planned, contemplating an equitable approach in the transformation process towards a more sustainable economy.

[23] The main supplier of information on emissions intensity is Asset Impact (formerly Asset Resolution), which provides asset information for the portfolio included in the calculation perimeter. The information coverage varies between 95% and 100%, depending on the sector analyzed.

Portfolio Alignment's Governance Model

In order to monitor the alignment objectives of the sectors for which targets have been set and supervise their compliance, BBVA created the Sustainability Alignment Steering Group (SASG) in 2022. Among the functions of the SASG are the following:

- Analyze and discuss the alignment objectives for 2030 prior to their approval.
- Evaluate the degree of compliance with the alignment objectives and their levers.
- Analyze and discuss the proposals for sectoral or aggregate alignment plans, and their updating, which will be submitted to the SASG by the business units, with the support of the technical teams from other participating areas.
- Promote the creation and deployment of the tools, methodologies and variables necessary for the operationalization of sector alignment plans in the management processes already existing in the business units.
- Analyze and learn about the best practices in the sector, promoting the integration of sustainable criteria in the day-to-day business.

BBVA's alignment governance model has been strengthened during 2023. In addition to the existing SASG, Global Sectoral Heads have been introduced in CIB for sectors with 2030 decarbonization targets. These sectoral leaders are responsible for leading the business strategy according to each sector, executing the actions defined in the sectoral alignment plans and implementing a support plan with customers in the sector to help them in their transition to a low-carbon economy. As part of this progress, an annual process has been incorporated to review key customer projections from a climate alignment perspective, which influences the development of the annual business plan. For more information see section “2.1.6. Governance model”.

Actions to manage portfolio alignment metrics include:

- Gather, evaluate and monitor the climate transition plans publicly disclosed by BBVA's customers.
- Assess the CO_2 emissions and climate impact of all new transactions as part of the commercial business approval process through the use of tools.
- Generate strategic dialogue with customers on their transition strategies, seeking opportunities to support them through investment and financing proposals and solutions.

In order to promote knowledge of the best sectoral practices across the organization, specific training programs on sectoral alignment plans have been developed, complementing the sustainability training offered to all employees and specific programs on decarbonization for bankers and risk analysts.

In 2023, the BBVA Directors' Remuneration Policy and the BBVA Group's General Remuneration Policy included, as part of the Annual Variable Remuneration of the members of the Identified Staff, including executive directors and members of BBVA's Senior Management, a long-term incentive linked, for example, to the degree of compliance with the decarbonization targets of a number of sectors for which the Group publishes specific targets. For more information on the calculation of variable remuneration, see the "Remuneration" section under "2.3.3 Employees".

Actions with the industry

BBVA is an active part of several initiatives that focus on the previously mentioned alignment sectors, participating in the following initiatives:

- Member of the NZBA Steering Group
- Participant in the NZBA working group for the oil & gas sector.
- Member of the Spanish Group for Green Growth (GECV), which promotes public-private collaboration to jointly advance in environmental challenges such as natural capital, circular economy, energy efficiency, etc.
- Signatory to the Climate-Aligned Finance Agreement for Steel, which seeks to set joint standards for the decarbonization of the steel sector through a collective climate-aligned finance agreement.
- Member of the European Clean Hydrogen Alliance, focused on promoting the use of clean hydrogen in Europe.

In addition, BBVA is a founding member of the NZBA, as well as a member of the Financial Industry Advisory Council of the International Energy Agency (IEA). For more information on participation in other initiatives, see the section "2.1.4 Dialogue and discussions with customers, industry and the public sector".

During 2023, BBVA has reinforced its strategy aimed at raising awareness about the importance of having solid plans to address decarbonization. The Group has focused on supporting customers who require advice in defining and/or implementing transition strategies towards a more sustainable model. However, BBVA recognizes that the success of decarbonization is also in the hands of governments, regulators and supervisory bodies, through their public and/or sectoral policies. Collaboration between the financial sector and these actors is key to achieving effective and lasting change towards a cleaner and more sustainable economy.

Other actions

Among its strategic investments to support the decarbonization of the economy, BBVA has invested in decarbonization funds explained in the section “2.1.1 ESG strategy and objectives”.

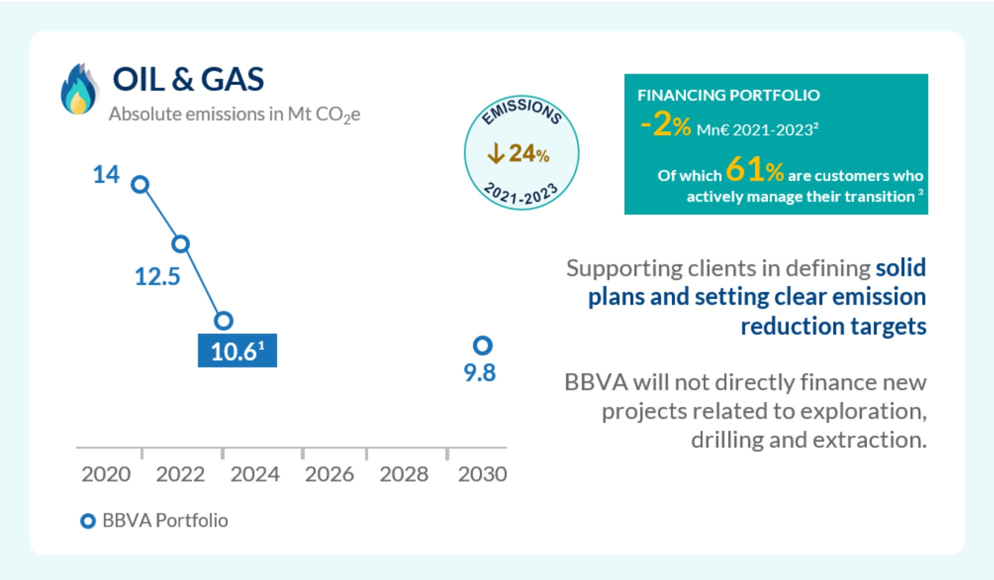
These projects allow BBVA to acquire a differential knowledge of the business opportunity and risks, as well as to offer differential solutions or proposals to its customers. For more details, see the ESG Strategy and Objectives section.

Transition and alignment plans

Below, the sector alignment plans and progress on customer transition plans are detailed for all those sectors for which BBVA has set a target.

1. Oil & Gas

BBVA has set a target to reduce absolute carbon emissions by 30% in the upstream oil & gas sector (exploration, drilling and extraction) between 2021 and 2030, measured in millions of tons of CO_2e (Scope 1, 2 and 3).



[(1)] Alignment metric as of December 2023. For the Oil & Gas sector, the portfolio alignment metric is an absolute emissions metric with a baseline of 2021 and the target reduction is only associated with the financing available.
[(2)] Variation in the upstream financing portfolio in millions of euros between 2021 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others).
[(3)] Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

To calculate the emissions of this sector, BBVA has developed its own methodology, based on the PCAF methodology. The calculation was performed on the upstream business of the companies in the sector, accounting for the scope 1, 2 and 3 emissions of the barrels produced by the companies. For the attribution of these issues, the PCAF methodology (weight of the financing arranged on the global debt and capital profile of the different business groups) has been used. The emissions data were obtained from the Asset Impact database (the same used for the PACTA methodology) and, when necessary due to lack of information, an approximate calculation was made (score 5 PCAF) using economic emission factors.

2023 Performance

The absolute financed emissions of the oil and gas sector have been 10.6 Mt CO_2e as of December 2023, having been reduced by 24% compared to the base year 2021 and by 15% compared to 2022. This important reduction has been a consequence of proactive portfolio management that has reduced the financing available by 22% compared to the base year 2021 and 17% compared to 2022 and a prioritization of customers who actively manage their transition to support them in their commitments. Additionally, the portfolio has experienced an improvement in the emissions intensity factor[24] per euro financed, 3% lower compared to the base year 2021 (2% higher compared to 2022).

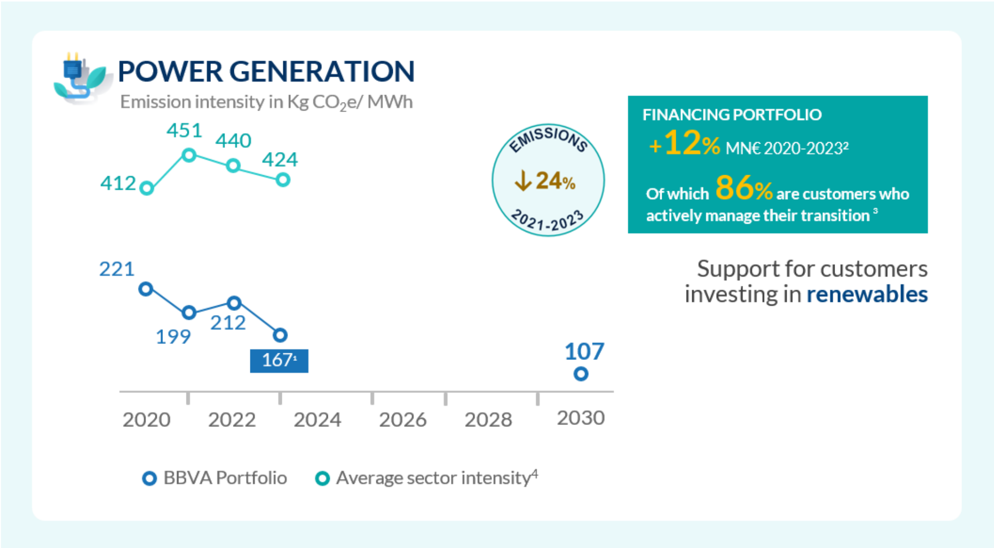
Actions with customers

- Accompaniment to customers who are actively managing their transition, which currently represent 61% of the total upstream financing portfolio.
- Collaboration with customers to advise them on the design and development of solid plans and establish clear emissions reduction objectives. BBVA will also support customers in their transition to other forms of low-carbon energy generation by financing the necessary investments that facilitate their diversification and decarbonization.

[24] Emissions intensity factor is the result of dividing the total financed emissions by the level of financing provided.

2. Power Generation

BBVA has set a target to reduce its carbon emissions intensity by 52% in the power generation sector between 2020 and 2030, measured in kilograms of CO_2e/MWh (Scope 1 and 2).



(1) Alignment metrics as of December 2023.
(2) Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).
(3) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.
(4) Historical data has been updated due to improvements in information sources.

The portfolio alignment metric for the power generation sector follows the PACTA methodology. The PACTA methodology is based on the identification of the Group's financing related to the customers' power generation activity.

2023 Performance

The carbon emissions intensity of the power generation portfolio has been 167 Kg CO_2/MWh as of December 2023, 60% lower than the average intensity of the market, and after having reduced by 21% in the last year and 24% compared to the base year 2020. This intensity of carbon emissions shows the strength of the quality of our financing portfolio, with strong support for clean energies, being a relevant axis of BBVA's strategy.

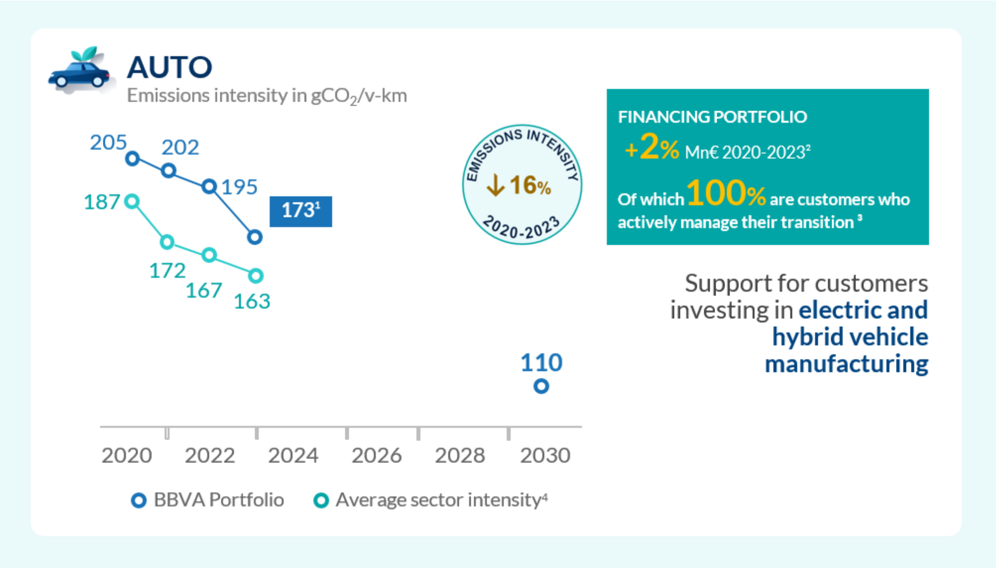
The reduction in 2023 has been the consequence of a 34% growth in renewable energy projects, the improvement of the portfolio mix due to the improvement of customers' emissions intensities and the proactive management of the portfolio by promoting growth with customers who actively manage their transition.

Actions with customers

- Support for customers investing in renewable energy.
- Focus on growth with customers that actively manage their transition, invest in less intensive technologies and have an outstanding strategy and performance. They currently represent 86% of the total amount of the financing portfolio related to power generation.

3. Auto

BBVA has set a target to reduce its carbon emissions intensity by 46% in the automobile sector between 2020 and 2030, measured in grams of CO_2/km-v (Scope 3).



(1) Alignment metrics as of December 2023.
(2) Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).
(3) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.
(4) Historical data has been updated due to improvements in information sources.

The portfolio alignment metric for the automobile sector follows the PACTA methodology. The PACTA methodology is based on the identification of the Group's financing related to automobile manufacturing by customers. In the case of the automobile sector, the metric analyzes automobile manufacturers by measuring the emissions per km of the vehicles they produce.

2023 Performance

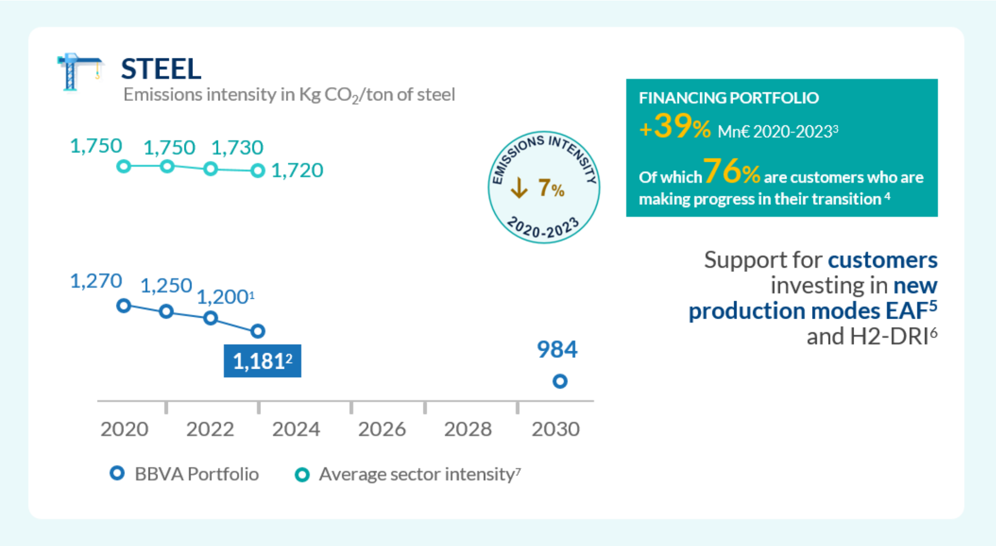
The automobile portfolio (173 g CO_2/v-km as of December 2023) narrows the existing gap with the market average. The curve advances with a level of CO_2 emissions lower than that of 2022. The variations have been produced mainly by the progress in the transition of the portfolio's customers with a progressive increase in the penetration of electric vehicles in the different markets and an overweight of customers actively managing their transition. Additionally, BBVA supports the financing of new customers with purely electric production lines as they position themselves in the market, particularly in the context of their geographic expansion strategies.

Actions with customers

- The decarbonization of the automobile sector will require heavy investment to accelerate the penetration of electric and/or plug-in hybrid vehicles.
- Boosting battery manufacturing, the charging infrastructure powered by renewable energy sources and circularity in automobile manufacturing materials are key levers for decarbonizing the sector.
- Supporting customers who are making progress in their transition, which currently represent 100% of the total amount of the car manufacturing-related financing portfolio.

4. Steel

BBVA has set a target to reduce its carbon emissions intensity by 23% in the steel sector between 2020 and 2030, measured in kilograms of CO_2/ton of steel (Scope 1 and 2).



(1) The emissions intensity data for the steel sector corresponding to the 2022 financial year differs from that published in the 2022 Non-Financial Information Statement due to updates and additional verifications.
(2) Alignment metrics as of December 2023.
(3) Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).
(4) Percentage calculated in terms of the volume of loans in the portfolio, both drawn and undrawn. Data as of December 2023. Customers that are actively managing their transition are considered as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools, such as TRi, considering medium-term emissions reduction targets, identification of levers for emissions management and commitment of associated investments to execute their transition plan.
(5) Electric Arc Furnaces (EAF).
(6) Direct Reduction of Iron with Hydrogen, for its acronym in English: H2-DRI (Hydrogen-based direct reduced iron).
(7) Historical data has been updated due to improvements in information sources.

The portfolio alignment metric for the steel sector follows the PACTA methodology compatible with the Institute for Sustainable Futures Net-Zero Scenario by 2050 (ISF-NZ). The PACTA methodology is based on the identification of the Group's financing related to customers in steel manufacturing. The steel sector concentrates most of its emissions in the steel manufacturing process. PACTA focuses on this point in the value chain.

2023 Performance

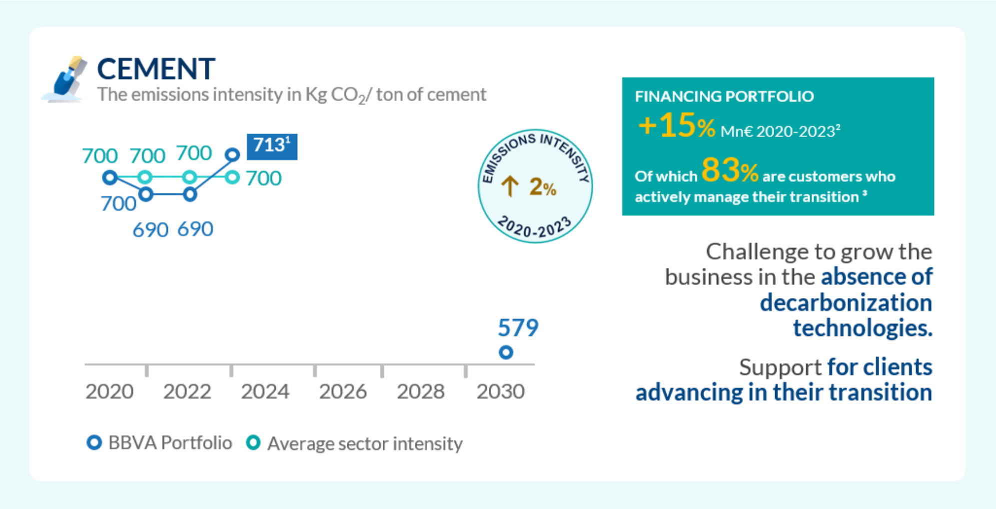
The steel portfolio (1,181 kg CO_2/tonne of steel as of December 2023) has consistently performed better than the market as a whole in the last two years due to the weight of the financing of electric arc furnaces, of a much less intensive than blast furnaces. The curve experiences a lower level of emissions than in 2022 due to the incorporation of new electric arc customers, although mitigated to a certain extent by the growth in exposure to customers in the Turkish portfolio with high intensities today but with manufacturing processes which are expected to transition in line with BBVA's objectives.

Actions with customers

- Decarbonizing the steel industry will require strong investments in new EAF and H2-DRI production modes, as well as a higher proportion of recycled materials.
- Accompaniment to customers who are actively managing their transition, which currently represent 76% of the total amount of the financing portfolio related to steel manufacturing.

5. Cement

BBVA has set a target to reduce its carbon emissions intensity by 17% in the cement sector between 2020 and 2030, measured in kilograms of CO_2/ton of cement (Scope 1 and 2).



[(1)] Alignment metrics as of December 2023.
[(2)] Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).
[(3)] Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as “Advanced”, “Robust” or “Moderate” according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

The portfolio alignment metric for the cement sector follows the PACTA methodology compatible with the Institute for Sustainable Futures Net-Zero Scenario by 2050 (ISF-NZ). The PACTA methodology is based on the identification of the Group's financing related to customers in cement manufacturing. In the cement sector, the methodology measures emissions from the manufacture of cement, not its derivatives.

2023 Performance

In the case of the cement portfolio (713 Kg CO_2/tonne of cement as of December 2023), the increase is explained by improvements in the quality of the data and the incorporation of a new database for client emissions with data higher intensity levels for the entire portfolio. The emissions intensity of 2023 shows a moderate increase compared to 2020, resulting slightly above the global market.

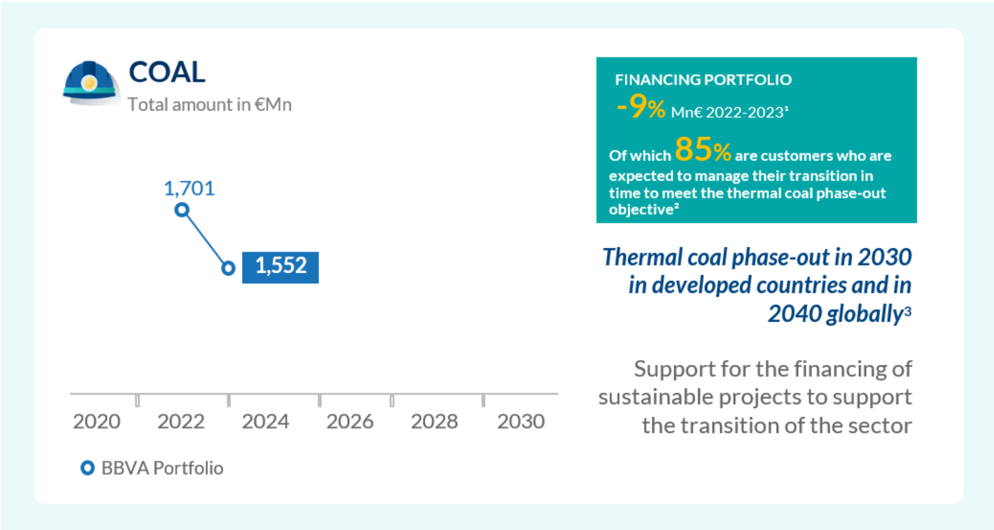
Portfolio management between 2022 and 2023 reflects exposure growth of 15% in the last 12 months resulting from growth with customers in the sector who are actively managing their transition in addition to the support of a less advanced client but who is making progress relevant according to internal transition assessment tools, such as the TRi.

Actions with customers.

- Selective business strategy depending on customers' progress as they scale decarbonization pathways that allow us to continue advancing customers' transition.
- Accompaniment to customers who are actively managing their transition, which currently represent 83% of the total amount of the financing portfolio related to cement manufacturing.

6. Coal

In 2021, BBVA announced its objective to eliminate its exposure to coal-related activities by 2030 in developed countries and by 2040 globally (under the terms of the Environmental and Social Framework).



(1) Variation in the financing portfolio in millions of euros between 2022 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others).
(2) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others) that corresponds to customers who are expected to transition in time to meet thermal coal phase-out target.
(3) In the terms provided in BBVA's published Environmental and Social Framework.

This decision, included in BBVA's Environmental and Social Framework, is configured as one of the main tools to identify customers and projects exposed to potential social and environmental controversies and is aligned with the main standards and best practices in the sector and in the geographies in which they operate.

As established in BBVA's Environmental and Social Framework, coal customers are defined as those customers, both new and existing, with more than 5% of their revenues derived from thermal coal mining for power generation, or with revenues derived from power generation and more than 5% of installed capacity for power generation derived from thermal coal. The objective of gradual and orderly exit of exposure will fall on those customers with more than 25% of revenues from thermal coal mining for power generation or more than 25% of installed capacity for power generation derived from thermal coal.

In the case of existing customers that exceed this threshold and do not have published coal phase-out targets, exposure to these customers will be phased out in an orderly and progressive manner as their commitments expire[25]. For existing customers above this threshold whose published carbon phase-out targets do not meet BBVA's 2030 target in time, exposure will not be increased until the customer's target is aligned with BBVA's.

2023 Performance

The coal portfolio has decreased by 9% compared to 2022, excluding the project financing business. This reduction is due to lower exposure to coal-related activities as customer financing matures.

Actions with customers

- Supporting the financing of sustainable projects to support the transition of the sector.
- Customers expected to manage their transition in time to meet the thermal coal phase-out target represent 85% of the financing portfolio[26].

[25] The total amount of the financing portfolio weighted by revenues from thermal coal mining or installed capacity for thermal coal-fired power generation with coal customers (defined under the terms of the Environmental and Social Framework) amounts to 1,552 million euros as of December 31, 2023. The total amount of the financing portfolio weighted by revenues from thermal coal mining or installed capacity for thermal coal-fired power generation with coal customers that have limited expectations of making the transition in time to meet BBVA's coal phase out target as of the same date amounts to 225 million euros.
[26] The financing portfolio considers drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, and others).

7. Aviation

BBVA has set a target to reduce its carbon emissions intensity by 18% in the aviation sector between 2022 and 2030, measured in grams of CO_2/PKM (Scope 1).

[(1)] Alignment metric as of December 2023. The gCO_2/PKM metric of BBVA's portfolio is adjusted by the belly freight factor. Without considering this factor, the emissions intensity data in the base year 2022 is 103 gCO_2/PKM and in the year 2023 it is 106 gCO_2/PKM, according to disclosure of Pillar 3 as of December 2023. Applying the reduction objective to 2030 on the base year without the belly freight factor, the emissions intensity objective to 2030 is 85 gCO_2/PKM.
[(2)] Variation in the financing portfolio in millions of euros between 2022 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others);
[(3)] Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

The portfolio alignment metric for the aviation sector follows the PACTA methodology compatible with the International Energy Agency's Net Zero scenario (IEA_NZE). The PACTA methodology is based on the identification of the Group's airline-related financing. In the case of the aviation sector, the metric analyzes airlines by measuring emissions per passenger kilometer of flights operated.

2023 Performance

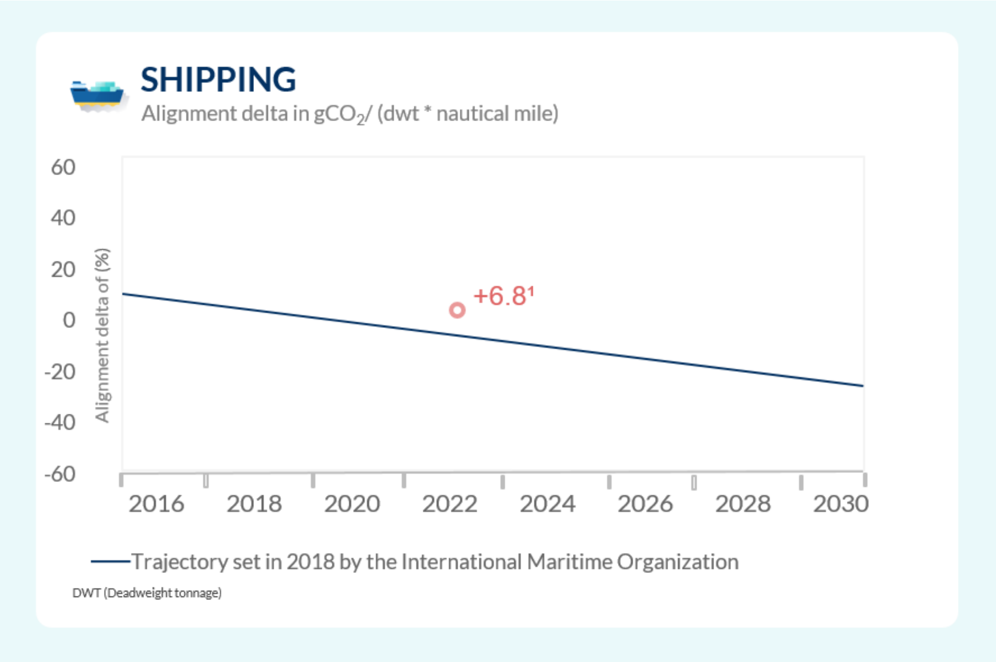
The aviation portfolio metric (89 gCO_2/PKM as of December 2023) increases slightly compared to 2022 but remains below the global market average. The variation is due to a change in the portfolio mix given the timely amortization of certain existing positions with customers. The portfolio mix is expected to recover throughout 2024 while BBVA continues to work with its customers in the design and execution of transition strategies in line with the maturity of this industry.

Actions with customers

- The decarbonization of the aviation sector is closely linked to the industrial-scale transition to sustainable aviation fuels (SAF).
- Supporting the financing of fuel efficiency improvements, in particular through fleet renewal.
- Accompaniment to customers who are actively managing their transition, which currently represent 87% of the total amount of the airline-related financing portfolio.

8. Shipping

BBVA has set a target in 2030 to match the trajectory set in 2018 by the International Maritime Organization (IMO).



[(1)] Alignment metric as of December 2022.

The portfolio alignment metric for the shipping sector is compatible with the IMO standard. This standard analyzes the financing to each vessel exceeding 5,000 tons and establishes a baseline according to the emissions of each type of vessel (Scope 1). The variables for calculating the Annual Efficiency Ratio (Annual Efficiency Ratio) expressed in g CO_2/DWT-nm, include the deadweight tonnage (DWT), the nautical miles (nm) traveled in the year and the fuel type.

In calculating the alignment, BBVA has calculated the percentage difference between the intensity of each financed ship and the decarbonization trajectory set by IMO for that particular ship type and for the year 2022. It is expressed as (+/-):

- A score of 0% represents a portfolio that is exactly in line with the decarbonization trajectory.
- A negative score indicates that the portfolio intensity is lower than that required by the decarbonization trajectory.
- A positive score indicates that the portfolio intensity is higher than that required by the decarbonization trajectory.

Actions with customers

- Promote the adaptation of the fleet to ships with decarbonization trajectories lower than those established by the IMO.
- Supporting customers with transition plans aimed at making their fleet more efficient.

Calculation of financed CO_2e emissions

BBVA continues to work on the measurement of emissions financed in the 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 included in the scope of the PCAF standard (first edition) and the Group's significant geographical areas, providing a global view of the emissions financed. This will make it possible to identify in which portfolios and sectors these emissions are concentrated in order to subsequently define mitigation plans, and to evaluate the quality of the data available for these calculations.

In the defined roadmap, the calculation at the end of December 2023 includes the measurement of financed emissions in the scope of loans to companies, project financing, commercial real estate, mortgages and automotive in the scope of BBVA, S.A. (without the Portugal branch), BBVA México, BBVA Colombia and BBVA Perú. In parallel, the Group is working to incorporate the rest of the portfolios and geographical areas by June 2024, in accordance with the regulatory deadlines defined in relation to the publication of the financed issues.

The result of the estimation is expressed both in terms of absolute emissions financed and economic intensity (absolute emissions per million euros financed). In addition, the quality score is presented as defined in the PCAF methodology, which evaluates the availability and reliability of the data used in the calculation by the entities. This score ranges from 1 to 5, with 5 being the worst score assigned when using sector estimates or industry trends using emission factors provided by PCAF, and 1 being the best score when based on individual-level reported and verified emissions data. of the counterpart.

Throughout 2023, two major lines of improvement in the calculation of financed emissions have been carried out. The first is the update of factors provided by PCAF to estimate financed emissions when reported data is not available (score 3 to 5). The second line of work has consisted of calculating, from emissions reported by customers, a greater part of the financed emissions (score 1 and 2).

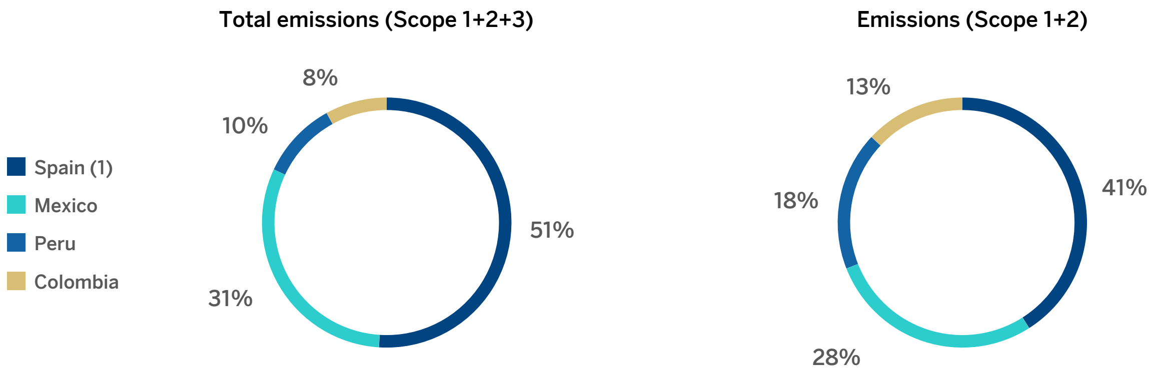
Due to the expansion of the geographical scope and the aforementioned lines of improvements, the results at the end of 2022 and at the end of 2023 are not directly comparable. On the other hand, the results of these improvements are reflected in a better calculation quality score.

The level of financed issues calculated at the end of 2022, which included only the lending portfolio in the BBVA S.A. perimeter. excluding branches in Portugal, it was 39.9 million tons of CO_2e[27]. The result of the calculation of the financed emissions for the same perimeter as of December 2023, after improvements in data, updating of factors and exposure variations, stands at 81.4 million tons of CO_2e, originating most of the increase in emissions financed by methodological improvements and updating of emission factors.

For the total perimeter calculated in 2023, that is, BBVA S.A. lending portfolios (excluding the branches in Portugal), Mexico, Colombia and Peru, a total calculation of financed emissions of 159.1 million tons of CO_2e has been obtained, considering scope 1, 2 and 3 emissions, and 66 million tons of CO_2e taking into account only scopes 1 and 2, significantly reducing the risk of double counting that scope 3 entails and its lower quality in the available data.

The distribution by geography is as follows:

DISTRIBUTION OF FINANCED EMISSIONS BY GEOGRAPHY (PERCENTAGE. 2023)



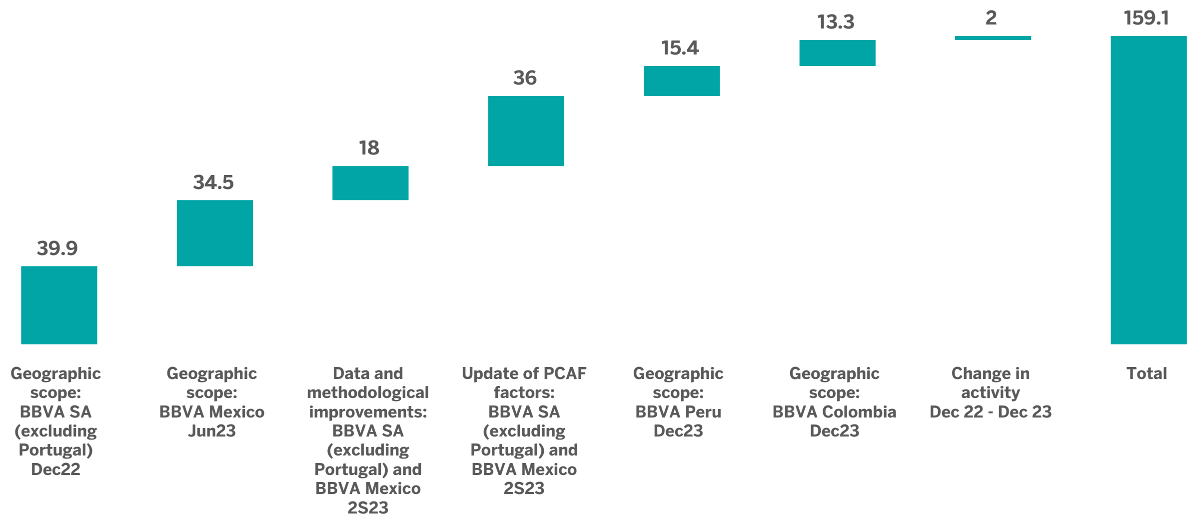
(1) Data of BBVA S.A. without Portugal

As indicated, throughout the year work has been done to include the calculation of financed emissions in BBVA Mexico's lending portfolio, with the figure being equivalent to 34.5 million tons of CO_2e in June 2023. The methodological and available data carried out in the second part of the year on portfolios of BBVA S.A. (excluding the branches in Portugal) and BBVA Mexico, and therefore not directly attributable to a change in portfolio positioning, lead to an increase in financed emissions of +18 million tons of CO_2e. Additionally, the update of the emission factors provided by PCAF causes an increase in emissions of +36 million tons of CO_2e in the perimeters of BBVA S.A. (excluding branches in Portugal) and BBVA Mexico. Finally, the inclusion in the calculation of the lending portfolios of BBVA Perú and BBVA Colombia in December 2023 provides an increase of +15.4 million tons of CO_2e and 13.3 million tons of CO_2e, respectively.

[27] TCFD BBVA 2022 report published in March 2023 (34.5 MM tCO2e in terms of the prudential perimeter of Pillar 3 published in EINF 2022).

The following graph shows the impact of the different factors that explain the evolution of the calculation of financed emissions during 2023:

EVOLUTION OF THE CALCULATION OF FINANCED EMISSIONS BETWEEN DECEMBER 2022 AND DECEMBER 2023 ($MtCO_2e$)



It is relevant to indicate that the emission factors updated by PCAF in 2023 have suffered a substantial increase in the level of emissions intensity compared to those used in the calculation in 2022. These factors generally present a comparatively higher emissions intensity in the geographies incorporated into the calculation in 2023 (Mexico, Colombia and Peru).

The results of the measurements as of December 2023 are detailed below, by wholesale sectors most relevant in emissions, and the rest of the retail portfolios:

FINANCED EMISSIONS

	2023 (1)						2022 (2)		
	Financed emissions ($MtCO_2e$)			Intensity ($tCO_2e/M€$)		Score	Financed emissions ($MtCO_2e$)	Intensity ($tCO_2e/M€$)	Score
Sector	**Total**	**Scope 1 + 2**	**Scope 3**	**Scope 1 + 2**	**Scope 1 + 2 + 3**				
Manufacturing	71.7	16.5	55.2	471	1,577	3.6	16.4	756	4.6
Electricity, gas, steam and air conditioning supply	13.2	6.7	6.5	569	555	3.0	5.4	671	4.9
Wholesale and retail trade	20.9	4.1	16.8	179	730	4.3	*	*	*
Mining and quarrying	30.0	24.3	5.7	5,430	1,268	2.8	4.4	2,264	4.9
Transportation and storage	4.3	1.9	2.4	208	261	4.2	2.4	448	4.5
Agriculture, forestry and fishing	7.6	5.4	2.2	1,540	608	4.1	2.0	1,116	4.4
Other sectors	6.6	2.2	4.4	52	109	4.1	*	*	*
Mortgages	2.7	2.7	—	29	—	3.7	*	*	*
Other retail portfolios	2.1	2.1	—	293	—	4.5	*	*	*
Total	**159.1**	**65.9**		**289**		**3.8**	*****	*****	*****

* Data not reported within the Non-financial information statement 2022.

(1) Includes data from BBVA, S.A (without Portugal), BBVA Mexico, BBVA Peru and BBVA Colombia

(2) Includes data from BBVA S.A without Portugal

In the future, fluctuations can be expected in the measurement of financed emissions, both due to the revision of emission factors provided by PCAF and due to greater use of data reported by customers to the extent that its publication becomes generalized.

2.2.4 Management of direct environmental impacts

As a financial entity, BBVA has a direct environmental impact through the use of natural resources.

BBVA has a clear commitment to society and the environment. Thus, the global strategy for managing direct environmental impacts is structured around three main axes:

- (I) Calculation of the environmental footprint, including the expansion of the scope of carbon footprint calculation with new categories[28] reported by 2023:
  - 3.1: Goods and services acquired, including credit card transportation and distribution, cash management services, and storage and logistics services.
  - 3.2: Capital goods.
  - 3.3: Activities related to the consumption of fuels and energy not accounted for in scope 1 or 2.
  - 3.13: Downstream leased assets. Includes emissions from buildings owned by BBVA rented to third parties.

  The rest of the Scope 3 categories not included in the footprint calculation (except for 3.15, corresponding to financed emissions, see "Calculation of financed emissions" in section "2.2.3 Alignment of the loan portfolio with the Paris Agreement") are considered either not material or not applicable due to the nature of the BBVA Group's business.

- (II) Reduction of environmental impact, including: the reduction of consumption through energy efficiency initiatives and water and paper consumption, the use of electricity from renewable sources, and the awareness and involvement of employees and other stakeholders on the path towards a low-carbon economy.

- (III) Purchase and retirement of carbon credits for an amount equivalent to Scope 1, 2 and part of Scope 3 emissions (category 5 waste, category 6 emissions from business travel and category 7 employee commuting to work)[29] in quality projects. In addition, BBVA collaborates in the development of Voluntary Carbon Markets through its participation in initiatives with regulators and other stakeholders.

Likewise, BBVA also contributes to the development of new and innovative low-carbon technologies through investments in climate capital funds with a focus on decarbonization, investing in technologies with enormous impact potential (more detail in the "Investment in climate funds" section within of section "2.1.1 ESG strategy and objectives").

I. Calculation of the environmental footprint

1. Carbon footprint

In terms of its own carbon footprint, BBVA's emissions are made up of:

- Scope 1 greenhouse gas emissions, comprising direct emissions from the combustion installations of the company's own buildings (including data centers), fuel for the vehicle fleet and refrigerant gases.
- Scope 2 greenhouse gas emissions, including indirect emissions related to the production of electricity purchased and consumed by buildings (including data centers) and branches.
- Scope 3 greenhouse gas emissions, which include other indirect emissions. In previous years it included emissions from business travels (by plane and train), emissions from waste management and emissions from employee commuting to the workplace. This year, BBVA has expanded the calculation of its footprint, reporting the rest of the material and applicable categories due to the nature of the Group's business.

Both Scope 1 and 2 emissions and Scope 3 emissions are calculated taking into consideration the GHG Protocol standard established by the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development). The process of measuring and calculating the additional Scope 3 categories has been carried out with an external supplier, which follows the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

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[28] The data for scope 3 emissions corresponding to purchased goods and services (3.1) and capital goods (3.2) are calculated based on the Group's total annual turnover and include those companies whose billing is recorded through the global technological platform that supports all phases of the supply process in the BBVA Group in Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay, including the companies BBVA, S.A., BBVA México, S.A., Banco BBVA Perú, BBVA Colombia, SA, BBVA Banco Provincial, S.A., Banco BBVA Argentina, S.A. , BBVA Seguros México, S.A., BBVA Pensiones México, BBVA Seguros Salud México, BBVA México Foundation, BBVA México Brokerage House, BBVA Servs. Adm. México, BBVA Operadora México, BBVA Axial Tech S.A. de CV, Multiasistencia S.A. de CV, Gran Jorge Juan, S.A., COPESA, S.A., SEDAE, S.A., SECOSEG S.A. de CV, Banco Occidental, S.A., Aplica Nextgen Servicios, Aplica Nextgen Operadora, SECOBAN, S.A., Multiasistencia Operadora, Futuro Familiar S.A. de CV and Financiera Ayudamos, S.A..

The data for scope 3 emissions corresponding to activities related to the consumption of fuels and energy not accounted for in scope 1 or 2 (3.3) include the countries Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay and Portugal. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain companies of the BBVA Group, which represent 5.3% of the total employees of the BBVA Group, are not included in the perimeter. BBVA Group.

The data for scope 3 emissions corresponding to leased downstream assets (3.13) include the countries Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay

[29] No carbon credits are purchased for an amount equivalent to the following Scope 3 categories defined in the GHG Protocol: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy-related activities (not included in Scope 1 or 2); Category 4 upstream transportation and distribution; Category 8 upstream leased assets; Category 9 downstream transportation and distribution; Category 10 processing of products sold; Category 11 use of products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. For information on Category 15 Investments, see the Calculation of Funded Emissions section of Section 2.2.3 Alignment of the loan portfolio with the Paris Agreement.

BBVA's environmental performance data obtained in 2023 and the evolution with respect to 2022[30] are shown in the following table:

CARBON FOOTPRINT (BBVA GROUP) [1]			
	2023	**2022 [2]**	**Δ 23-22**
Scope 1 emissions (tons CO_2e)[3]	38,005	41,380	(8) %
Emissions from fuels in facilities (t CO_2e)	10,280	12,233	(16) %
Emissions from vehicle fleet fuels (t CO_2e)	10,315	9,874	4 %
Emissions from refrigerant gases (t CO_2e)	17,409	19,273	(10) %
Scope 2 emissions (tons CO_2e) market-based method [4]	6,981	11,507	(39) %
Scope 2 emissions (tons CO_2e) location-based method [5]	203,407	202,770	— %
Scope 1&2 emissions (tons CO_2e) market-based method	**44,985**	**52,887**	**(15)%**
Scope 1&2 emissions (tons CO_2e) location-based method	**241,412**	**244,150**	**(1)%**
Scope 3 emissions (t CO_2e) [6]	1,443,437	33,435	n/a
3.1 Emissions from purchased goods and services (t CO_2e) [7]	1,050,073	*	n/a
3.2 Emissions from capital goods (t CO_2e)	215,516	*	n/a
3.3 Emissions from fuel and energy related activities (t CO_2e)	69,447	*	n/a
3.5 Emissions from waste management (t CO_2e) [8]	878	654	34 %
3.6 Emissions from business travel (t CO_2e) [9]	29,128	14,460	101 %
3.7 Emissions from employees commuting (t CO_2e) [10]	73,779	18,321	303 %
3.13 Emissions from downstream leased assets	4,616	*	n/a
Total CO_2e emissions (t CO_2e) market-based method	**1,488,422**	**86,323**	**n/a**
Total CO_2e emissions (t CO_2e) location-based method	**1,684,849**	**277,586**	**n/a**
Impact of emissions (Scope 1&2) (€) [11]	*2,083,372*	*2,431,076*	*(14) %*

n/a: not applicable

*: Data reported for the first time in 2023.

[1] Data for scope 1, 2 and scope 3 emissions corresponding to activities related to fuels and energy (3.3), waste management (3.5), business trips (3.6) and employee travel (3.7), include the countries Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay and Portugal. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain companies of the BBVA Group, which represent 5.3% of the total employees of the BBVA Group, are not included in the perimeter. BBVA Group. Some of the data for 2023 are estimates since at the close of the report, complete information for the year was not yet available.

The data for scope 3 emissions corresponding to purchased goods and services (3.1) and capital goods (3.2) are calculated based on the Group's annual turnover and include those companies whose turnover is recorded through the global technological platform that supports all phases of the supply process in the BBVA Group in Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay, including the companies BBVA, S.A., BBVA México, S.A., Banco BBVA Perú, BBVA Colombia, SA, BBVA Banco Provincial, S.A., Banco BBVA Argentina, S.A., BBVA Seguros México, S.A., BBVA Pensiones México, BBVA Seguros Salud México, Fundación BBVA México, Casa de Bolsa BBVA México, BBVA Servs. Adm. México, BBVA Operadora México, BBVA Axial Tech S.A. de CV, Multiasistencia S.A. de CV, Gran Jorge Juan, S.A., COPESA, S.A., SEDAE, S.A., SECOSEG S.A. de CV, Banco Occidental, S.A., Aplica Nextgen Servicios, Aplica Nextgen Operadora, SECOBAN, S.A., Multiasistencia Operadora, Futuro Familiar S.A. de CV and Financiera Ayudamos, S.A..

The data for scope 3 emissions corresponding to leased downstream assets (3.13) include the countries Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay.

[2] 2022 data differ from those published in the previous Non-Financial Information Statement because the estimates included at the end of the 2022 financial year have been replaced by the actual consumption available after the publication of said report and have been modified. certain values according to the new data.

[3] Emissions derived from direct energy consumption (fossil fuels) and calculated based on the emission factors of the 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. Starting in 2021, emissions derived from the use of the vehicle fleet and refrigerant gas leaks at facilities were included in this scope, applying DEFRA emission factors for the calculation of CO_2e emissions in all geographical areas, including Turkey.

[4] Emissions derived from electricity consumption and calculated based on contractual data and, failing that, on the latest available emission factors from the IEA for each country.

[5] Emissions derived from electricity consumption and calculated based on the energy mix of each geographic area. The emission factors are the latest available according to IEA for each country.

[6] Indirect emissions derived from business travel (plane and train), waste management and employee travel have been calculated using emission factors published by DEFRA in 2023. The rest of the Scope 3 categories have been calculated by a external provider following the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

[7] Issuances of purchased goods and services include the transportation and distribution of credit cards, cash management services, and storage and logistics services.

[8] The data reported for 2022 on emissions from waste management differs from that published in the 2022 Non-Financial Information Statement due to a refinement of the data detailed in the Waste (Circular Economy) table in section II. Reduction of environmental impact. The annual increase in these emissions is due to the effect of the COVID-19 pandemic on fiscal year 2022.

[9] The annual increase in emissions derived from business trips is due to the effect of the COVID-19 pandemic on fiscal year 2022.

[10] The annual increase in emissions derived from the displacement of employees is due to the incorporation of emissions caused by the displacement of network employees in 2023 (in 2022 only the displacement of Central Services employees was taken into account). The 2022 data does not include emissions from SSCC employee posting in Turkey.

[11] The impact of greenhouse gas emissions for 2023 is calculated using only Scope 1 and 2 emissions and using the social cost of CO_2 factor based on a proportional estimate of the EPA's social cost of carbon for 2020 (51 $/tCO2) and for 2025 ($56/tCO_2), (discount rate of 3%, with exchange rate 1.166€/$).

[30] Consumption associated with the first months of 2022 was affected by low attendance at corporate buildings as a result of the COVID19 pandemic.

2. Other consumption

CONSUMPTION (BBVA GROUP) [(1)]	2023	2022 [(2)]	Δ 23-22
Total water consumption (cubic meters)	1,579,399.2	1,654,133.8	(5)%
Public water supply (cubic meters)	1,516,881.6	1,593,152.3	(5)%
Recycled water (cubic meters)	62,517.6	60,981.5	3 %
Paper (tons)	2,917.3	3,716.9	(22)%
Total Energy (Megawatt hour) [(3)]	679,860.0	690,740.6	(2)%
Energy from renewable sources (%)	88.8 %	83.5 %	6 %
Energy from non renewable sources (%)	11.2 %	16.5 %	(32)%

[(1)] The data shown include Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay and Portugal. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain BBVA Group companies, which represent 5.3% of total BBVA Group employees, are not included in the perimeter. Some of the data for 2023 are estimates since complete information for the year was not yet available at the publication date.

[(2)] Data for 2022 differ from those published in the previous Non-Financial Information Statement because the estimates included at year-end 2022 have been replaced by the actual consumption available after the publication of that report and certain values have been modified in accordance with the new data. Likewise, the consumption of recycled water has been modified due to a refinement in the 2022 data.

[(3)] It includes the consumption of electricity and fossil fuels (diesel oil, natural gas and LP gas), except fuels consumed in fleets. The renewable electricity figure for 2023 has reached 96% in BBVA Group.

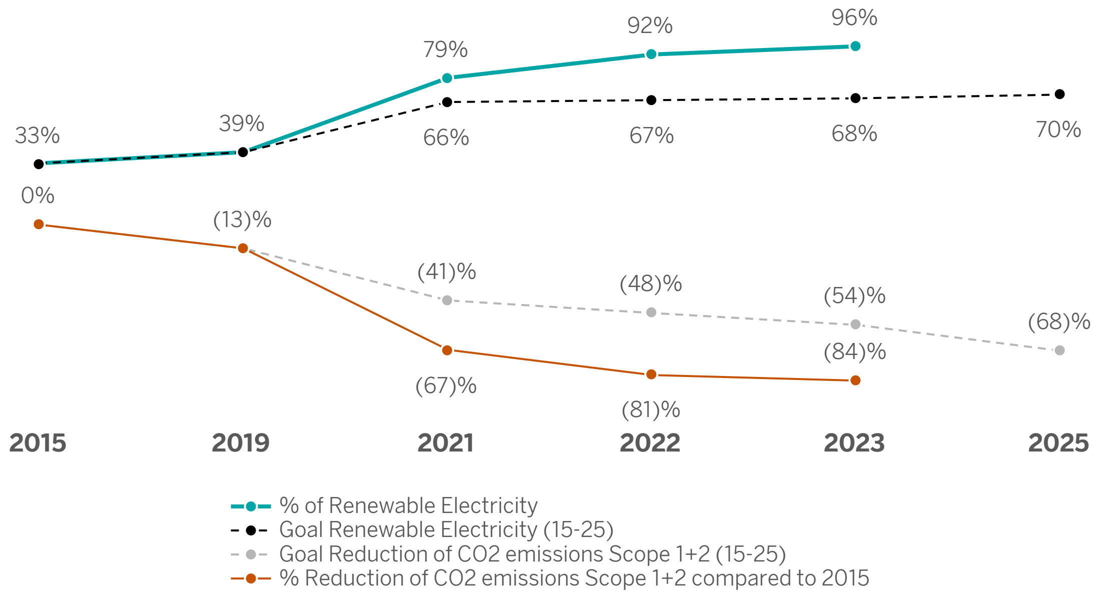
Given the business activities in which the BBVA Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. For this reason, at December 31, 2023, the consolidated financial statements did not present any item that should be included in the environmental information document provided for in Order JUS/616/2022, of June 30, approving the new model for the filing with the Commercial Registry of the consolidated financial statements of the entities obliged to publish them.

II. Reduction of environmental impact

Goal 2015-2025[31]

In its objective to reduce environmental impacts within the framework of Goal 2025 (Goal), BBVA set two targets: (a) to reduce 68% of scope 1 and 2 CO_2 emissions compared to 2015 and (b) to consume 70% of electricity from renewable sources by 2025, both already achieved in 2023.

In addition, BBVA has been a member since 2018 of the RE100 initiative, through which the world's most influential companies are committed to ensuring that their electricity is 100% renewable by 2050, although BBVA has set a more ambitious internal target of reaching that goal by 2030.



[31] To establish the goals for achieving the 2015-2025 Goal, the 2015 consumption data is taken as a reference. The 2015 and 2019 baseline data for scope 1 emissions have been subtracted, including the estimated emissions of Refrigerant Gases and Fleet Fuels, as their measurement has been incorporated in 2021.

Group Eco-efficiency Plan 2021-2025[32]

In order to promote the reduction of direct impacts and the achievement of Goal 2025, in 2021 BBVA established a new Global Eco-efficiency Plan (PGE) for the period 2021-2025, defining more ambitious objectives, aligned with its climate strategy.

With regard to the evolution of these indicators of the eco-efficiency plan, the Group's environmental footprint shows very positive data with respect to the base year 2019, exceeding in all areas the objectives defined for this time, with reductions of (16%) in electricity consumption, (18%) in energy consumption, (26%) in water consumption, (48%) in paper and (50%) in net waste (all of them per employee) and (82%) in scope 1 and 2 emissions (according to the market based method). The percentage of renewable electricity consumption reached 96%, and the percentage of environmentally certified surface area reached 61%.

EVOLUTION OF THE GLOBAL ECO-EFFICIENCY PLAN INDICATORS (BBVA GROUP) (1)

	Values 2023	Achievement 2023 (Δ 23-19)	2023 interannual GEP Goal	2025 GEP Goal
Renewable electricity	96%	+58 p.p.	75 %	77 %
Electricity consumption per employee (MWh/Employee) (2)	5.58	(16)%	(7)%	(10)%
Energy consumption per employee (MWh/Employee) (3)	6.06	(19)%	(6)%	(7)%
Water consumption per employee (m^3/Employee)	14.08	(26)%	(5)%	(11)%
Paper consumption per employee (kg/Employee)	26.02	(48)%	(9)%	(11)%
Net waste per employee (t/Employee) (4)	0.01	(53)%	(3)%	(4)%
Scope 1&2 carbon emissions (tCO_2e) (5)	44,985.4	(82)%	(64)%	(67)%
Environmentally certified area (6)	61%	+20 p.p.	44 %	45 %

(1) Data corresponding to the last months of 2023 are estimates. The 2023 Vs 2019 Achievement indicators corresponding to Renewable Electricity and Environmentally Certified Area are expressed as absolute value of achievement in 2023 in order to be able to compare with the Global Eco-efficiency Plan targets 23-19 and 25-19. In incremental terms over 2019, the Renewable Electricity indicator has reached 146%, while the Environmentally Certified Area indicator has reached 48%.

(2) Includes the sum of renewable and non-renewable electricity (per employee).

(3) Includes the consumption of electricity and fossil fuels (natural gas, liquefied petroleum gas (LPG), diesel and coal), except fuels consumed in fleets.

(4) Net waste is the total waste generated minus the waste that is recycled. To obtain the 2022 achievement, the 2019 baseline data for net waste has been subtracted, including the estimate of recycled waste, since its measurement was not incorporated until 2020.

(5) Includes Scope 1 (fuels in facilities and vehicle fleet and refrigerant gases), Scope 2 market-based. The 2015 and 2019 baseline data for Scope 1 emissions have been restated, including the estimate of emissions from Refrigerant Gases and Fleet Fuels, as their measurement has been incorporated in 2021.

(6) Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office and Zero Waste certifications.

The achievement of these indicators has been possible thanks to the following 4 action vectors:

1. Consumption

With the aim of reducing BBVA's environmental footprint[33], the following lines of actions will be implemented:

- Electricity consumption: BBVA's strategy is focused on the use of renewable energy as it is the most important lever to contribute to the decarbonization of the energy markets where the Group is present. To this end, the strategy consists of reaching Power Purchase Agreements such as those already in place in Spain, Mexico, Turkey and Argentina, as well as acquiring renewable energy certificates such as Guarantees of Origin in Spain and Portugal, or International Renewable Energy Certificates (iREC) in Mexico, Turkey, Peru, Colombia and Argentina. We will also focus on the self-generation of renewable energy through the installation of solar photovoltaic and solar thermal panels at the Group's facilities, as is already happening in several of our subsidiaries in Spain, Turkey, Argentina and Uruguay.
- Implementation of energy saving measures (ESM) in property management, with the aim of controlling and reducing consumption.
- Initiatives to reduce water consumption, such as gray water recycling systems and the reuse of rainwater for irrigation at the headquarters in Spain and Mexico, and the installation of dry urinals in some of the buildings in Spain.
- Finally, digitization and print centralization measures to reduce paper consumption, which is additionally recycled or environmentally certified in most geographic areas (Spain, Mexico, Turkey, Peru, Colombia, Argentina and Portugal) by 73% by 2023.

[32] For the 2021-2025 Eco-efficiency Plan, 2019 is taken as the base, since the 2020 consumption values are affected by the effect of the COVID-19 pandemic. Corporate buildings recorded very low employee attendance due to the Group's conservative approach during the pandemic.

[33] Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain BBVA Group companies, which represent 5.3% of total BBVA Group employees, are not included in the perimeter.

2. The circular economy

Waste generation is becoming a serious global problem, so part of BBVA's contribution to sustainable development includes moving from linear consumption practices to circular consumption practices. Thus, BBVA has been working for many years to reduce this impact through sustainable construction standards or with the implementation of Environmental Management Systems certified with ISO 14001 and additionally with the implementation of Aenor's Zero Waste certification in Ciudad BBVA, BBVA's headquarters in Spain and the Opplus building in Malaga. The objective is to minimize the amount of waste sent to landfills, which is why the Group's facilities have clearly differentiated and marked areas that allow for the correct segregation and subsequent recycling of waste.

WASTE (CIRCULAR ECONOMY) (BBVA GROUP)

	2023	2022 [1]
Hazardous waste (tons)	329	570
Recycled hazardous waste (tons)	136	336
Disposed hazardous waste (tons)	193	234
Non-hazardous waste (tons)	2,339	2,523
Non-hazardous waste (%)	1,016	1,409
Disposed non-hazardous waste (tons)	1,323	1,114
Donated IT equipment (units)	5,659	1,154

[1] The data on hazardous waste disposed of and non-hazardous waste disposed of for 2022 differs from that published in the 2022 Non-Financial Information Statement due to a refinement of the data due to improvements in the waste measurement methodology.

3. Sustainable construction

Another objective is to guarantee the implementation of the best standards, both environmental and energy, in BBVA buildings, with the aim of achieving a large percentage of environmentally certified surface area. In this sense, BBVA facilities have several construction and management certifications.

Within the construction certifications, there are 19 buildings and 10 branches of the Group with the prestigious LEED (Leadership in Energy and Environmental Design) standard for sustainable construction. Among these buildings are the Group's main headquarters in Spain, Mexico, Turkey and Argentina. In addition, three of them have received the highest category of certification, LEED Platinum. Additionally, there are 8 WWF Green Office badges in Turkey and 33 Edge in Peru, certifications that promote the reduction of the ecological footprint and carbon emissions.

Regarding management certifications, BBVA has implemented an Environmental Management System based on the ISO 14.001:2015 Standard in different buildings, which is certified every year by an independent entity. Through this certification, the environmental performance in the operations of some of its buildings is controlled and evaluated. This system is implemented in 92 buildings and 1,044 branches in the main countries where the Group operates. In 2023, BBVA in Portugal increased the area certified under this management system by certifying its headquarters in Lisbon (10,519 m^2). Finally, during 2023, BBVA achieved certification for 31 buildings and 1,924 branches with an Energy Management System also certified by an independent third party and meeting the ISO 50.001:2018 standard.

4. Carbon footprint

The reduction of the carbon footprint is one of the objectives established within Objective 2025, for which BBVA has implemented the following initiatives:

- With regard to Scope 1 and 2 CO_2 emissions, the reduction of emissions comes from the strategies for reducing energy consumption and sustainable construction described in the previous sections, the replacement of fleets with traditional fuels by hybrid and electric fleets, and reaching Power Purchase Agreements, as well as the acquisition of renewable energy certificates such as Guarantees of Origin or International Renewable Energy Certificates (iRECs)..
- Regarding Scope 3 CO_2 emissions, BBVA is working on a series of measures not included in the Eco-efficiency Plan to reduce carbon emissions:
  - Waste: Through the implementation of certifications such as ISO 14,001:2015 and Zero Waste.
  - Employee commuting: BBVA has 348 recharging points for 100% electric and plug-in hybrid vehicles (PHEV) in the Group's buildings available to its employees
  - Business travels: an awareness initiative has begun to be deployed, communicating to different areas of BBVA the footprint generated monthly for this reason and identifying levers and alternatives to reduce emissions, thus promoting employee awareness when it comes to planning your work trips.
  - Suppliers: in 2023 BBVA implemented a sustainability module in the supplier evaluation process, which includes, among others, the management and measurement of their environmental impact. For more information on this module, see section "2.3.4 Suppliers" of this report.

III. Purchase of carbon credits

BBVA purchases and retires carbon credits in an amount equivalent to its CO_2 emissions from the categories over which it has direct management capacity (i.e., scopes 1, 2 and categories 5, 6 and 7 of scope 3)[34].

In order to ensure the quality of these carbon credits, BBVA has established some requirements that the selected projects must meet, among which are the obligation that theyhave to be certified under the highest quality standards such as VCS (Verified Carbon Standard by Verra), Gold Standard, American Carbon Registry (ARC), Climate Action Reserve (CAR) and Plan Vivo; and that they are CO_2 absorption or capture projects. Additionally, in 2023, BBVA developed an internal Voluntary Carbon Market standard, based on best practices, to evaluate high-quality carbon credit programs and types of credits that generate a real, additional and verifiable climate impact.

The projects selected in 2023 have been a reforestation/afforestation project in Colombia (Cumare) and a set of improved forest management projects in Mexico developed by Bioforestal Innovación Sustentable S.C. (Ejido Atopixco, Ejido La Selva and Ejido Zacualtipán).

Other actions

In addition to the purchase of carbon credits, BBVA is contributing to the development of carbon markets through the following initiatives:

- In regulated markets, BBVA participates in government auctions in the EU ETS and futures markets since January 2023. Additionally, in June 2023, BBVA inaugurated its trading desk for regulated carbon markets, allowing its customers to access the purchase and sale of credits.
- In the voluntary markets, BBVA carried out a first operation on its own account to purchase carbon credits through its trading desk at the end of 2023. In addition, BBVA is one of the investors in Carbonplace, a carbon credit trading platform.
- BBVA is also involved in activities and initiatives such as participation in the development of reports such as the World Economic Forum's playbook on Voluntary Carbon Markets or participation in panels and forums such as the European Roundtable on Climate Change and Sustainable Transition. In addition, BBVA is present in the Advisory Board of EEX Global Carbon Index Family and LIFE COASE, a project co-founded by the EU Life Programme of the European Commission.

Likewise, BBVA also contributes to the development of new and innovative low-carbon technologies through investments in climate capital funds focused on decarbonization, investing in technologies with enormous potential impact (more details in the section "Investment in climate funds" in the section "2.1.1 ESG Strategy and Objectives").

[34] No carbon credits are purchased for an amount equivalent to the following Scope 3 categories defined in the GHG Protocol: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy-related activities (not included in Scope 1 or 2); Category 4 upstream transportation and distribution; Category 8 upstream leased assets; Category 9 downstream transportation and distribution; Category 10 processing of products sold; Category 11 use of products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. For information on Category 15 Investments, see the Calculation of Financed Emissions section of "2.2.3 Alignment of the loan portfolio with the Paris Agreement".

2.2.5 Information related to article 8 of the European Taxonomy[35]

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, has as its objective to establish the criteria to determine whether an economic activity is considered environmentally sustainable, in line with the objective of keeping global warming below 1.5 ºC compared to pre-industrial levels and with the European Green Deal.

Article 8 additionally establishes certain obligations of disclosure of non-financial information to companies subject to the Non-Financial Reporting Directive (hereinafter NFRD).

Based on this, financial institutions must include in their Non-Financial Information Report certain indicators relating to sustainable economic activities according to the EU taxonomy.

The Taxonomy Regulation identifies six environmental objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

Based on these objectives, the regulation has also developed technical criteria to evaluate whether an activity is environmentally sustainable.

The first step is to determine if an activity falls within those detailed as eligible by the EU taxonomy, which are those that can potentially contribute to one or more of the environmental objectives. An economic activity, to be considered eligible, must be included in the delegated acts that develop the European taxonomy, regardless of whether that economic activity does not meet any or all of the technical screening criteria established in those delegated acts and ultimately cannot be classified. as environmentally sustainable.

Subsequently, once eligibility has been determined, it has to be checked whether the activity is aligned according to the EU taxonomy, to this end, it should be verified that the following technical screening criteria are met:

- The activity contributes substantially to one or more of the six environmental objectives.
- The activity does not significantly harm any of the other environmental objectives (hereinafter DNSH).
- The activity is carried out in accordance with the minimum social and human rights safeguards (hereinafter MSS). OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental Conventions referred to in the International Labor Organization Declaration on fundamental principles and rights at work and the International Bill of Human Rights.

The requirements to disclose information based on the EU taxonomy and the technical screening criteria, have been specified in successive regulatory developments and in notices on the interpretation and application of EU taxonomy delegated acts. These obligations establish a progressive calendar for the disclosure.

In this regard, as of December 31, 2023, the disclosure obligations for financial entities are the following:

- Economic activities aligned with the environmental objectives of Mitigation and Adaptation to Climate Change. In the recent publication of Delegated Regulation (EU) 2023/2485 that complements the Taxonomy Regulation of mitigation and adaptation objectives, new economic activities have been included, for which BBVA has no exposure to eligible activities.
- Specific breakdowns on the alignment of some activities related to Nuclear energy and Gas
- Eligible Economic Activities for the environmental objectives of Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control; and Protection and restoration of biodiversity and ecosystems.

It should be noted that those economic activities that are not included within the Taxonomy framework or that do not comply with all of their requirements should not be considered to be harmful or to have a negative impact on the environment, but only that they do not meet all the conditions to be part of this classification

[35] The complete information defined in the templates of Annex VI of Delegated Act 2021/2178 on Disclosure of Article 8 is shown in section "5.3 Tables relating to Article 8 of the European Taxonomy" within chapter "5. Other information" of this consolidated Management Report.

Aligned Economic Activities for the environmental objectives of climate change Mitigation and Adaptation

The economic activities of credit institutions are reflected in the different products and services they offer to customers as well as in the investments they make to manage their equity and liquidity. These activities are considered aligned in accordance with the EU taxonomy to the extent that the activities that carry out certain counterparties of those products or investments are aligned considering the regulations.

To calculate the alignment of their activity, credit institutions shall consider whether the lending granted to a counterparty has a general purpose, or whether it responds to a specific purpose.

General Purpose Lending

Non-financial companies that are subject to the NFRD Directive should have published for the first time, in their management reports as of end of the 2022 financial year, their indicators (KPIs)[36] related to the objectives of mitigation and adaptation to climate change: i) turnover and ii) its investments in fixed assets (CapEx) and operating expenses (OpEx). From 2024 onwards, the indicators corresponding to the rest of the environmental objectives will be added to these publications.

The information published by non-financial companies subject to the NFRD is necessary so that financial institutions can calculate the eligibility and alignment of certain exposures recorded in their assets. In this way, the information published by these counterparties is used to calculate the proportion of the general purpose exposure aligned with the EU taxonomy. The Group has obtained the data published by certain companies through an external provider and uses it to calculate the alignment of the general purpose financing granted to them. Likewise, public customer information has been used to more accurately reflect eligible activities, which represents an evolution of the granular information of the main EU customers.

The indicators (KPIs) established by the regulation for credit institutions offer an exhaustive breakdown of the bank's exposures to activities covered (eligible) by the EU taxonomy, and additionally those that are not only eligible, but that meet all the requirements. of the taxonomy to be considered sustainable (aligned).

Specific Purpose Lending

The alignment with the EU taxonomy of the financing that is granted for a purpose or destination that the entity knows, must be analyzed taking into account all the requirements established by the aforementioned technical screening criteria (i) substantial contribution, ii) do significant harm and iii) minimum social safeguards.

In order to determine if a specific lending does not cause significant harm (DNSH), it must be demonstrated, based on requirements established by the regulation. that it does not harm the remaining environmental objectives. Thus, the financing granted to a company that contributes substantially to the climate change mitigation objective must also guarantee compliance with the DNSH criteria on the rest of the objectives. For example, in relation to the activity “generation of electricity using solar photovoltaic technology”, which is a key technology for the transition towards renewable energies in the EU, under the criterion of non-significant damage to the circular economy objective, the expectation is that availability is evaluated and, when feasible, equipment and components with high durability and recyclability are used, as well as being easy to disassemble and restore," according to the taxonomy regulation.

BBVA considers the substantial contribution criteria of the specific purpose lending, however, the degree of maturity regarding the implementation and usability of the EU taxonomy in the banking industry makes it currently complex to establish a similar process to guarantee compliance with DNSH and MSS. Therefore, a portion of the specific financing granted by BBVA that substantially contributes to an environmental objective is not included in the alignment metrics. BBVA has identified specific financing with a substantial contribution to other specific products such as project financing, cars or other products or activities included in the EU taxonomy that have not been included in the alignment metrics for the reasons described above. As an exception, loans granted to families (households) intended for the purchase of newly built, highly energy efficient homes[37], under the assumption that they have followed the technical building standards in force for this type of property that include requirements to implement practical more sustainable construction methods, which reduce the risks of environmental deterioration as well as mitigate the consequences of certain adverse atmospheric impacts.

Green Asset Ratio

The Green Asset Ratio (GAR) is an indicator to reflect the extent to which certain assets on the bank balance sheet are aligned with the EU taxonomy. This indicator has been prepared following the regulatory definitions of the European Commission. Currently, the EU taxonomy methodology does not allow financial institutions to include in the numerator of sustainability ratios those exposures to companies not subject to the Non-Financial Reporting Directive (NFRD). Therefore, exposures on companies domiciled in a third country outside the EU and those on EU companies that are not subject to said Directive, for example, the vast majority of SMEs are excluded from the numerator although they are part of the denominator. This implies, in In practice, any eligible economic activity that is being financed outside the EU will not be counted in the ratio (with limited exceptions). This structural characteristic of the GAR leads to large differences depending on each bank's business model, its customer base and its geographical footprint. All the EU taxonomy information is included in section 5.3 of this report in the format provided for by the regulations.

[36] The template in Annex VI of the Delegated Disclosure Act of Article 8 is the reference for GAR disclosures: i) Covered assets (GAR, off-balance sheet), ii) GAR: information by sector, iii) Stock of GAR KPIs, iv) GAR KPI flow, v) Financial guarantees, assets and management. The original EU taxonomy tables and the necessary notes with details on the perimeter and methodology are found in section “5.3 Tables relating to Article 8 of the European Taxonomy” of this report.
[37] In accordance with a conservative approach, only properties that meet the criterion of substantial contribution to climate change mitigation described in section 7.7 are included. “Acquisition and ownership of buildings” and that a non-inferred energy efficiency certificate is available.

	Climate Change (CCM) + (CCA)									
			TURNOVER				CAPEX			
	Total [gross] carrying amount		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		Of which environmentally sustainable (Taxonomy-aligned)		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		Of which environmentally sustainable (Taxonomy-aligned)	
	Million €	%	Million €	%	Million €	%	Million €	%	Million €	%
GAR - Covered assets in both numerator and denominator	**245,270**	**32.78 %**	**122,198**	**27.66 %**	**2,302**	**0.52 %**	**123,110**	**27.87 %**	**3,525**	**0.80 %**
Financial undertakings	40,449		4,715		0		4,771		0	
Non-financial undertakings	22,389		6,821		1,612		7,676		2,835	
Households	177,287		109,728		690		109,728		690	
Of which loans collateralised by residential immovable property	96,226		96,226		690		96,226		690	
Other assets (local administrations, foreclosed assets)	5,144		934		1		934		1	
Assets excluded from the numerator for GAR calculation (covered in the denominator)	**196,518**	**26.26 %**								
Non-financial undertakings	160,448									
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	57,850									
Non-EU country counterparties not subject to NFRD disclosure obligations	102,598									
Derivatives	1,420									
On demand interbank loans	7,085									
Cash and cash-related assets	7,782									
Other categories of assets (e.g. Goodwill, commodities etc.)	19,783									
Total GAR assets	**441,787**	**59.04 %**								
Assets not covered for GAR calculation	**306,457**	**40.96 %**								
Central governments and Supranational issuers	96,465									
Central banks exposure	68,488									
Trading book	141,505									
Total assets	**748,244**	**100.00 %**								
Financial guarantees	18,782		1,083		380		1,671		1,036	
Assets under management	179,338		1,024		285		1,489		614	
Of which debt securities	53,240		474		117		656		254	
Of which equity instruments	9,648		550		168		833		361	

General note: this table does not include all the sections of Annex VI (1.Covered assets (GAR,off-bal) of the EU Taxonomy disclosure delegated regulation 2021/2178. The original EU taxonomy tables and the necessary notes with details on the scope and methodology are found in section "5.3 Tables relating to Article 8 of the European Taxonomy" of this report.

Transition activities included in EU taxonomy (Nuclear and Gas)

Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022 establishes the requirements that are necessary for the economic activities of energy generation with natural gas and nuclear power plants to be included within the taxonomy of the EU, since they are considered transition activities. Nuclear energy, which is described as "low carbon" and "subject to strict environmental and safety conditions that ensure respect for the principle of do no significant harm, it can play a role in the transition towards climate neutrality." Regarding electricity generation with natural gas, it is considered less polluting than other alternatives, such as coal.

The activities included in the Nuclear and Gas delegated act (European Union Taxonomy (EUT) Activity) are the following:

- Nuclear Energy:
  - Pre-commercial phases of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle
  - Construction and safe operation of new nuclear power plants for the generation of electricity or heat, including the production of hydrogen, using the best available technologies.
  - Generation of electricity from nuclear energy in existing facilities
- Energy from gaseous fossil fuels:
  - Generation of electricity from gaseous fossil fuels
  - High-efficiency cogeneration of heat/cooling and electricity from gaseous fossil fuels
  - Production of heat/cooling from gaseous fossil fuels in an efficient urban heating and cooling system

The BBVA Group's exposure to gas and nuclear power generation activities of NFRD customers (subject to EU non-financial reporting directive) amounts to 186.0 million euros, of which only 12.0 million are considered aligned in accordance with the taxonomy according to the turnover information, and 10.0 million in the case of investments in fixed assets (CapEx).

RATIOS (BBVA GROUP, MILLION EUROS) - TURNOVER BASED

	2023
Eligible activities according to the EU Taxonomy for energy generation with gas and nuclear from NFRD clients	186
Aligned activities with the EU Taxonomy for energy generation with gas and nuclear from NFRD clients	12

New environmental objectives included in EU taxonomy

Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 completes the EU taxonomy, establishing the technical selection criteria to determine economic activities that contribute to environmental objectives that had not already been included in the taxonomy: i) the sustainable use and protection of water and marine resources, ii) the transition to a circular economy, iii) the prevention and control of pollution, iv) the protection and recovery of biodiversity and ecosystems, and establishes new requirements for the disclosure of specific public information about these economic activities.

In fiscal year 2023, credit institutions must publish the exposure to eligible economic activities included in the aforementioned delegated regulation. When an economic activity contributes substantially to multiple environmental objectives, for the purposes of the calculation, it is assigned to the most significant environmental objective (generally Climate Change Mitigation (CCM)), avoiding double counting at the same time.

BBVA Group's exposure ratio to activities included in the delegated regulation of the 4 environmental objectives recently covered in the taxonomy is 0.45% and the exposure to non-eligible activities is 27%, taking into account all the environmental objectives published to date. To estimate eligibility, given that the delegated regulation is recently published and there has been no time for NFRD customers to publish their degree of eligibility, the customer's economic activity information that is used for internal risk management has been used. and which is based on the Statistical Nomenclature of Economic Activities of the European Community (NACE).

Trading portfolio

Global Markets is the area that manages BBVA's trading portfolio, and is part of the CIB business area which, as already mentioned, has developed a Sustainable Products framework

The trading portfolio mainly responds to two different activities. The first consists of promoting that customers have products to manage their own risks or make their investments and, the second, managing the risks inherent to the trading portfolio.

The main activity carried out considering some ESG factor comes from facilitating the issuance of bonds (DCM)[38] with some ESG characteristics by customers. customer demand for other types of trading book products to manage their own ESG risks has proven to be still limited and sporadic.

[38] Debt Capital Markets

Regarding the management of the risks inherent to the trading portfolio, this is carried out under a strict risk-reward angle, where ESG factors do not currently represent a key factor (unless market dynamics or profitability are turn towards them).

The exposure on the trading portfolio amounts to 18.5% of the total assets. In accordance with the deadlines established by Regulation (EU) 2020/852 and its delegated regulations, BBVA will disclose quantitative information on trading exposures that comply with the EU taxonomy, including the general composition, observed trends, objectives and politics for the first time at the end of the 2025 financial year.

2.3 Social

2.3.1 Society

Contribution to the Community

Other contributions to society

Volunteer work

2.3.2 Customers

Customer protection framework

Security and protection

Customer experience

Customer care

2.3.3 Employees

Culture & values

Professional development

Working environment

Remuneration

2.3.4 Suppliers

2.3.5 Commitment to Human Rights

2.3.6 Just Transition

2.3.7 Fiscal contribution and transparency

Through its Purpose, values and strategic priorities, BBVA seeks to have a positive impact on the lives of people, companies and society as a whole. Financial institutions play a vital role in the economy, essential to guarantee the functioning of the rest of the system. Here lies the origin and main mission of BBVA: to act as a driving force of activity through the granting of credit to the real economy, to companies and families, financing long-term structural challenges (decarbonization, innovation, digitalization) to contribute to economic growth of society. In addition to its main financing activity, BBVA supports the economic and social development of the communities where it is present through the following lines of action:

- Support society in general and the most vulnerable groups in particular, through the social action of its banks and foundations that is reflected in its 2025 Community Investment Objective to support inclusive growth;
- Help customers improve their financial health and, ultimately, meet their life goals, as well as their transition towards sustainability.
- Generate quality employment with its more than 120,000 employees in all the countries in which it operates;
- Promote stable and sustainable relationships with your suppliers;
- Pay taxes contributing to the support of public coffers;

BBVA develops its relationships with society in general, its customers, employees and suppliers in accordance with its commitment to human rights. At the same time, the Group is promoting a just transition to create a more sustainable and inclusive world.

2.3.1 Society

Beyond the positive impact generated by the banking business directly, BBVA also seeks to support society through its social action. This activity mainly materializes the social programs developed by the group and its foundations, but also includes contributions to foundations and non-profit entities as well as the promotion of a corporate culture of social and environmental support, facilitating the conditions so that its employees can carry out volunteer actions.

Contribution to the Community

In the area of contributing to the inclusive growth of the societies in which the Group is present, BBVA has the Community Investment Goal 2025, whereby it will allocate 550 million euros between 2021 and 2025 to social initiatives to support the inclusive growth of these societies. The objective of this plan is for these initiatives to reach 100 million people by 2025. Specifically, it will support five million entrepreneurs, contribute to the financial literacy training of two million people and help more than three million people gain access to quality education. This plan is structured around three main areas of action and aims to contribute to the achievement of certain Sustainable Development Goals (SDGs):

- Reduce inequality and promote entrepreneurship (SDGs 8 and 10): it includes initiatives that provide access to basic goods and services needed to improve people's social well-being; financial literacy training 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 activities 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 for the development of values and competencies, programs to support 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 the Group's various channels, and
- Support research and culture (SDGs 9 and 11): includes initiatives to support researchers and creators in the fields of science, culture or economics, support for leading cultural institutions and scientific dissemination.

Additionally, in 2023, BBVA launched a social response plan after the earthquake, which took place in Turkey and Syria on February 7, in order to help alleviate the effects of the humanitarian emergency. Among the measures stand out: the donation of 650 million Turkish Liras (approximately 20 million euros) in favor of the AFAD (Presidency of Disaster and Emergency Management of the Ministry of the Interior of the Government of Turkey), the launch of a donation campaign in favor of the Red Cross that has channeled donations from employees, customers and non-customers in Spain worth 1.66 million euros through Bizum, as well as a donation campaign from customers of BBVA Mexico in favor of UNICEF in Turkey and Syria, with a collection of approximately 110 thousand euros.

In 2023, the BBVA Group earmarked 174 million euros for contribution to the community (131 million euros in 2022). This figure represents 2,17% of adjusted net attributable profit 79.4 million people have benefited from this contribution. In particular, among the direct beneficiaries, 3,307,147 entrepreneurs have benefited from support, 749.565 people have been trained in financial literacy and 861,023 people have participated in educational programs.

BBVA puts this contribution to the community into practice through its local banks and foundations, as well as through support for other foundations, highlighting:

- The BBVA Foundation (FBBVA) focuses its activity on the generation of 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 as a whole.
- The BBVA Foundation Mexico: focuses its activity in the educational field with a benchmark program called "Chavos que Inspiran" (Kids that Inspire) that offers a 10-year accompaniment that transforms the lives of talented, low-income young people from all over the country, allowing these scholarship recipients to be the first in their families to finish college rising above the poverty line and achieving a socioeconomic level that would have taken their families at least 4 generations to reach.
- The BBVA Microfinance Foundation (FMBBVA) was established in 2007 by BBVA as part of its corporate social responsibility to support entrepreneurs in vulnerable situations. In 2022, for the third consecutive year, FMBBVA 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 Development (OECD).

Additionally, in the area of contribution to the community, BBVA develops other relevant initiatives such as volunteer activities, alliances with environmental organizations, support for non-profit organizations, the promotion of corporate responsibility through its participation in different working groups and participation in initiatives (SDG 17)[39].

[39] For more information, see the section "2.1.4 Dialogue and discussion with customers, industry and the public sector" of this report.

Below is the contribution to the community in 2023 and 2022 within the framework of the 2025 Community Investment Goal by geographic area and corporate foundations:

CONTRIBUTION TO THE COMMUNITY (MILLIONS OF EUROS AND PERCENTAGE)[(1)]

	2023	%	2022	%
Spain and corporate areas	28.1	16	30.4	23
Mexico	84.0	48	60.5	46
Turkey	25.5	15	3.6	3
South America	3.8	2	3.4	3
Foundations (2)	32.6	19	33.1	25
Total (3)	**174.0**	**100**	**131.0**	**100**

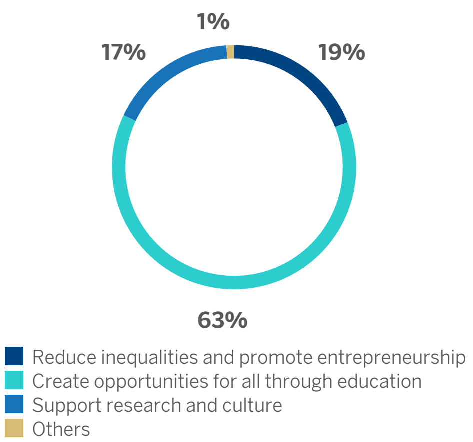
[(1)] To calculate the Community Engagement investment figure, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that provides a framework for measuring the social and environmental investment that companies make beyond their business. In 2023, this figure is broken down as a contribution in cash (83.03%), management and personnel costs (10.33%), time (0.3%) and in-kind (6.34%). Likewise, when we analyze the motivation of the cash contribution, this is the breakdown in 2023: 19.2% one-time contribution, 74.6% social investment and 6.2% initiatives aligned with the business.

[(2)] Includes the BBVA Foundation and the BBVA Microfinance Foundation, which are not part of the consolidated Group.

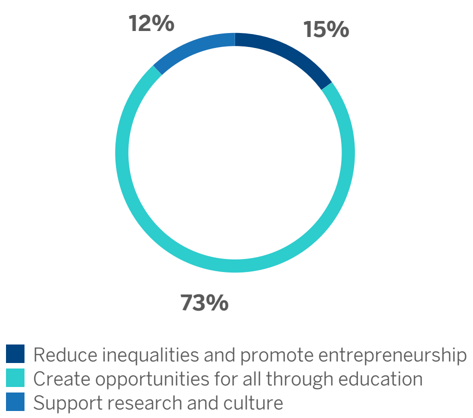
[(3)] The total figure is an estimate, of which 75.5% is the actual investment figure as of October 31, 2023 and 24.5% is an estimate of the investment made in November and December 2023.

The following is a breakdown of the investment and people reached (in percentage) of the contribution to the community in 2023 by focus areas, as described at the beginning of this section:

CONTRIBUTION TO THE COMMUNITY (INVESTMENT) BY FOCUS. 2023



CONTRIBUTION TO THE COMMUNITY (PEOPLE REACHED) BY FOCUS. 2023



The following is a breakdown of the type of people reached of the Community Goal in 2023 and 2022 by focus areas:

PEOPLE REACHED BREAKDOWN BY TYPE AND FOCUS AREAS (MILLIONS OF PEOPLE) (1)

	Direct beneficiaries (2)		Indirect beneficiaries (3)		Unique users (4)	
Focus area/Type of people reached	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Reduce inequalities and promote entrepreneurship	4.3	5.4	7.2	7.2	0.2	—
Create opportunities for all through education	1.0	0.8	0.9	0.5	56.2	55.9
Support research and culture	2.9	2.6	—	—	6.7	5.5

(1) To calculate the number of direct beneficiaries in the Community Commitment, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that provides a framework for measuring the social and environmental investment that companies make beyond their business. The people reached data are estimates; 80.7% of the figure is the actual number of people reached as of October 31, 2023 and 19.3% is an estimate of the number of people reached in November and December.

(2) Data on persons who participate directly in the programs and initiatives developed or promoted by BBVA and who therefore receive a direct benefit.

(3) Data on persons who are related to the participant of the initiatives and programs promoted and developed by BBVA and who receive an indirect benefit.

(4) Data on the number of people accessing free and quality content on different BBVA platforms.

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

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

	Community investment(2)		People reached (3)	
	2025 Goal	**2021-2023 Progress**	**2025 Goal**	**2021-2023 Progress**
Reduce inequalities and promote entrepreneurship	155	66.2	21.7	17.5
Create opportunities for all through education	215.0	245.7	53.3	59.6
Support research and culture	180.0	86.6	25.0	12.4
Total (4)	**550.0**	**398.5**	**100.0**	**89.5**
Other (5)	—	12.8	—	0.03
Total	**550.0**	**411.3**	**100.0**	**89.6**

(1) To calculate the amount of investment and direct beneficiaries in the Contribution to the Community, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that provides a framework for measuring the social and environmental investment that companies make beyond their business. The investment and people reached figures for 2023 are estimated figures. In relation to the investment figure, 75.5% is the actual figure as of October 31, 2023 and 24.5% is an estimate of the investment made in the months of November and December 2023. In relation to the people reached figure, 80.7% of the figure is the actual number of people reached as of October 31, 2023 and 19% is an estimate of the people reached in the months of November and December 2023.

(2) This progress chart considers community investment for the years 2021, 2022 and 2023 with a global scope.

(3) This progress table considers the net direct beneficiaries for the years 2021, 2022, 2023 and the net indirect beneficiaries for the years 2021, 2022 and 2023. For the calculation of net unique users, only the unique users of the current year are considered, as it is not possible to identify how many users from one year repeat the following year.

(4) This total figure shows the objectives and progress of investment and people reached within the framework of the Goal 2025 of the investment in the Community and its 3 focuses of action.

(5) This figure includes the target and progress of investment and people reached not aligned to the focuses of the Goal 2025 of the investment in the Community.

Other contributions to society

With regard to contributions to foundations and non-profit entities[40], the overall figure for these contributions in 2023 was 44.4[41] million euros (19.5 million euros in 2022). In 2023, the BBVA Group made:

- 174 contributions to foundations and other non-profit social entities with social purpose in the amount of 32.7 million euros, which include both one-time contributions and those contributing to social programs (in 2022, 192 donations in the amount of 6.8 million euros).
- 150 contributions (not donations) to foundations and other non-profit social entities in the amount of 1.9 million euros (in 2022, 117 contributions in the amount of 2.6 million euros), including association and sponsorship actions.
- 427 contributions, of a non-social nature (dues, institutional contributions and commercial sponsorships), to foundations, business associations, lobbies, think-tanks and other non-profit entities in the amount of 9.8 million euros (in 2022, 392 contributions, of a non-social nature in the amount of 10.06 million euros).

The number of contributions presents a significant increase compared to 2022, mainly due to the donation of more than 20 million euros made by Garanti BBVA to alleviate the effects of the earthquake in Turkey.

[40] Information provided in compliance with section IV of article one of Law 11/2018.
[41] The number of contributions to foundations and non-profit entities is estimated. 85.6% of the figure corresponds to contributions made before October 31, 2023, while 14.4% is an estimate of the contributions expected to be made in November and December 2023.

Volunteer work

In the General Sustainability Policy, BBVA states its willingness to promote a corporate culture of social and environmental support by facilitating the conditions for its employees to carry out volunteer actions. This policy is applied in all countries in which the Group is present.

BBVA's corporate volunteering initiatives encourage employee collaboration to generate a relevant social impact, increase their sense of pride in belonging, satisfaction and productivity, and position BBVA as a benchmark company in corporate volunteering, thus increasing its attractiveness to both existing and potential employees.

Volunteering is a key element in developing the approaches and lines of work of the Community Investment Goal 2025 (explained above in the section "Contribution to the community"). In fact, this is in line with the Agenda for Sustainable Development 2030, which has explicitly recognized voluntary work as a vehicle for the sustainable development and voluntary work groups as actors for achieving the seventeen SDGs.

In addition, volunteering activities are aligned with BBVA's Purpose and values.

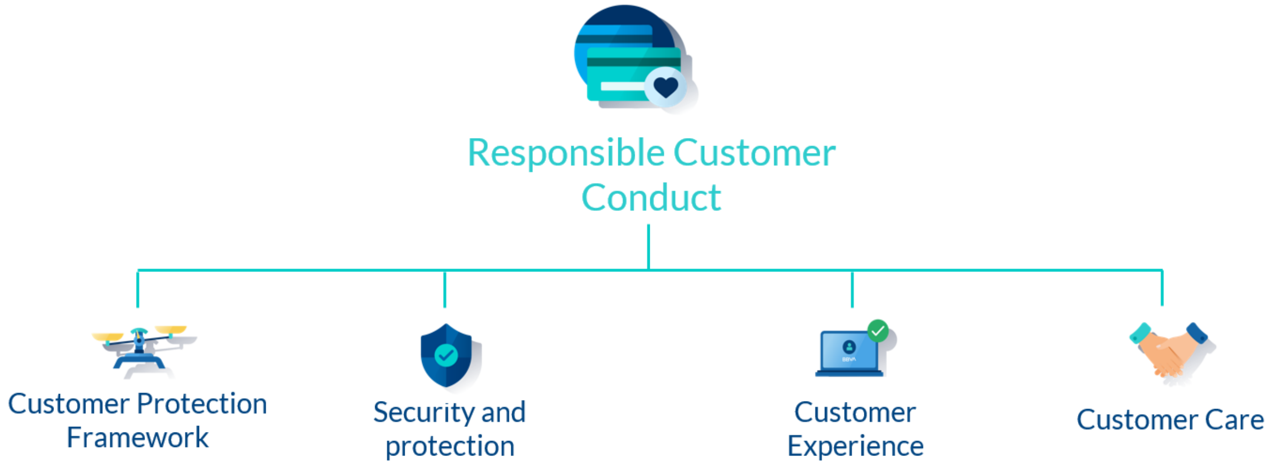
Overall, 11,788 BBVA employees participated in volunteer initiatives during 2023 (8,637 in 2022), having dedicated more than 36,040 hours (57% during working hours and 43% outside working hours). The time spent by employees in 2023 is equivalent to a contribution of 527,830 euros (429,044 euros in 2022).

2.3.2 Customers

Within the framework of its "Customer First" value, which is part of BBVA's culture, the Group places customers at the center of its activities. The relationship with customers goes beyond the provision of services and is aimed at assisting them in their transition to sustainability, improving their financial health and, ultimately, meeting their life goals.

To respond to the needs of its customers and maintain responsible conduct with them, BBVA has developed a differential value proposition to promote a transparent, clear and accessible customer experience, while strengthening and reinforcing security in the existing interactions between the customer and the Group.

Responsible conduct with the customers is developed through the following topics:



Customer protection framework

BBVA has an internal regulatory framework for customer protection. In addition to the Code of Conduct, which establishes guidelines for behavior with customers in line with the Group's values, BBVA has governance policies and procedures in place that establish the principles to be observed when evaluating the characteristics and risks of products and services, as well as when defining their distribution conditions in such a way that, based on customer insight, their interests must be taken into account at all times and they must be offered products and services in line with their financial needs.

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.

Finally, BBVA has conduct indicators with customers in order to ensure management of the sources of risk and to facilitate the monitoring of their performance and/or the effectiveness of the control models applied in this area.

During 2023, BBVA evolved and strengthened internal regulation, as well as mitigation, control and monitoring frameworks in the area of customer protection, while also considering the priorities of regulators and supervisors. The main lines of action include the updating of Group-wide standards in the area of customer protection, including the approval of the Product Governance Standard, which develops the product governance provisions that BBVA must comply with throughout the entire life cycle of the product or service, i.e., from the very moment they are conceived or designed, as well as during their distribution or marketing, and in the post-contract phase (follow-up and after-sales service). Also noteworthy is the approval of the Standard on Fees and Commissions, which establishes the reference framework applicable to the Group in matters concerning fees and commissions. It establishes guidelines in relation to the internal governance model for setting fees and commissions, the minimum obligations that must be met in relation to this matter throughout the life cycle of the products and services offered by BBVA, as well as guidelines to ensure their adequate parameterization in the automated processes. Both rules develop the General Policy on Customer Conduct and Product Governance approved in 2022, which encompasses and updates several internal policies in this area, reinforcing and harmonizing in a single general policy the principles and provisions that BBVA will take into account to adequately address the interests of customers during the offer, provision and, where appropriate, recommendation of products and services, thus providing the Group with a single framework of reference in terms of conduct with customers.

During 2023, the customer protection training plan was also enhanced with the launch of a course on the General Policy on Customer Conduct and Product Governance, aimed at raising awareness of the general principles on which the relationship with customers is based when providing them with services or offering or recommending products, whatever the distribution channels, and also considering the life cycle of the product or service. Also noteworthy is the updated course on Conflicts of Interest, which provides information on how to recognize and manage situations in which conflicts of interest may arise in the marketing of products and provision of services to customers, as well as the measures to be taken into account to resolve them. Both courses are available at the training model of BBVA, Campus BBVA.

Furthermore, the Group 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.

Security and protection

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

For BBVA, information security is not only a fundamental part of ensuring operational resilience, but also one of the main elements within its strategy. Information security is organized into four fundamental pillars: (I) Cybersecurity, (II) Data Security, (III) Physical Security and (IV) Business Process Security 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 best practices established in internationally recognized security standards, are reviewed periodically to assess progress and effective impact in mitigating the aforementioned risks.

In 2023, the measures adopted have been further strengthened to guarantee effective protection of the information and assets which support the Group's business processes from a global perspective and an integrated approach, i.e., considering not only the technological area but also the areas of 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 that are being implemented globally or in specific geographic areas of the Group to improve the security and protection of customers:

- Enabling of global technical capabilities that allow autonomous, remote, agile and secure onboarding or digital activation of customers in the bank, using cutting-edge technologies in the market such as intelligent document recognition, facial recognition and capture of customer proofs of life (videos) in certain geographies and ensuring compliance with applicable legal requirements.
- Possibility of activating biometrics in BBVA's mobile applications, so that fingerprint or facial biometrics can be used to connect to BBVA (authentication method that reinforces security).
- 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 contents on security advice to make customers aware of the main cybersecurity risks they are exposed to, so that they can prevent or act against possible 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, which is the first card using a dynamic CCV (without numbering and without a printed CVV).

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, customers and society in general.

Among the main campaigns, awareness-raising actions carried out and recommendations included in the application, in BBVA's online channels and in social networks in recent years, those related to information protection, secure password management, detection of social engineering (phishing[42], smishing[43], vishing[44]), protection of devices (computers, cell phones, etc.), secure connections, detection of malware and other computer attacks, detection of cyber scams, security in online shopping and action in the event of a security incident could be highlighted. The subject matter of the different awareness campaigns is selected on the basis of a risk analysis focused on identifying the behaviors that imply a higher cybersecurity risk for the Entity, using sources such as ENISA's Threat Landscape.

Other lines of action also include periodic performance of global and local simulation exercises in order 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.

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[42] Social engineering technique consisting of sending fraudulent emails in which the cybercriminal impersonates the identity of legitimate companies and requests confidential information from the recipients.
[43] Sending text messages with fraudulent links in which cybercriminals impersonate the identity of a public entity or body so that users access an illegitimate web page and provide confidential information.
[44] Telephone scam in which cybercriminals pose as technical support teams or financial institutions to get the victim to reveal private information, or install malware on their device.

Cybersecurity

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

In addition, the acceleration of digitization in the world 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, the group has strengthened its prevention and monitoring efforts to ensure effective protection of its assets and customer information.

The Computer Emergency Response Team (CERT) is the Group’s first line of detection and response to cyberattacks aimed at global users and the Group’s infrastructure, combining information on cyber threats from our Threat Intelligence Unit. The Global CERT, which is based in Madrid, operates 24 hours 7 days a week and provides services in all countries where BBVA operates, under a scheme of managed security services, with operation lines dedicated to fraud and cybersecurity.

During 2023 the Bank has increased its system monitoring capabilities, paying special attention to critical assets that support business processes. Incident prevention, detection and response capabilities have also been strengthened through the use of integrated information sources, improved analytical capabilities and automated platforms. Moreover, work is being done on the development of new artificial intelligence and machine learning models which can predict and prevent cyberattacks against bank infrastructure, providing a more secure experience for customers.

The 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.

A communication protocol has been established for those cases in which relevant incidents affecting BBVA customers occur. This protocol contemplates both the groups to be informed (employees, customers, media, etc.) and the communication channels to be used (social networks, call center, App messages, website, etc.) and the procedure for coordinating the messages to be transmitted, in order to ensure that communication is proactive and uniform and that it responds to the principles of honesty and transparency.

In addition, in order to ensure that security is integrated into business processes, the security management model has been reinforced both in the software development life cycle and in the management of infrastructure, architecture and operations, which has strengthened the security culture in BBVA.

The Threat Intelligence area has also been strengthened, adopting measures aimed at transforming detailed technical information into intelligence that can be used as a driver in decision-making related to risk management. The Threat Intelligence area continuously monitors the threats affecting the financial sector and analyzes risk trends in order to implement measures to minimize the security risks to which BBVA is exposed. In addition, together with the incident detection and response teams, it analyzes the attacks that have occurred and their origin, in order to adopt the necessary action plans. The analyses carried out consider both security trends and the type, frequency and origin of attacks on systems and information.

In addition, in the search for excellence in the operating model, BBVA has taken measures in recent years to promote operational efficiency and automation, as well as to strengthen safety competencies, in order to ensure that the company has a team with the necessary knowledge and skills in a constantly changing environment.

BBVA routinely reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. Specialized teams periodically perform security technical tests in order to detect and correct possible security vulnerabilities. These tests include both technical testing of the technology platforms and simulation of real attacks by malicious users (using the same techniques, tactics and procedures). The outcome of these exercises is essential to continuous improvement of the Group's safety strategy.

BBVA's security strategy is based on internationally recognized security standards. It considers best practices and security measures established in standards such as ISO/IEC 27002 and the ISO 2700 family, COBIT 5 and NIST Cybersecurity Framework.

BBVA has also obtained several certifications (TIER IV certification, ISAE 3402, etc.) in different countries. To maintain these certifications, external providers carry out external audits regularly, considering the specific requirements of each certification. The external auditors who perform these audits are selected from among the most recognized auditing firms in the specific areas of expertise applicable in each case. Additionally, the annual financial audit includes the review of several areas related to information security and cybersecurity in BBVA's internal platforms.

Furthermore, and given that one of the main risks faced by organizations today are risks derived from third parties, during the year 2023 controls have continued to be strengthened to ensure adequate protection of information by third parties. BBVA requires that the service providers it works with have internationally recognized security certifications.

In addition, security clauses are included in the contracts signed with service providers, in order to guarantee both an adequate level of security in relation to the services rendered and compliance with applicable legal requirements (with particular attention to current legislation on the protection of personal data). The effective implementation of these measures by the suppliers providing the most critical services is routinely verified.

Security in business processes and fraud

Cybersecurity initiatives are always carried out in close coordination with fraud prevention initiatives, so that there are considerable interactions and synergies between the teams involved. The measures in place enable us to actively monitor fraud risks and mitigation plans, assess the impact of fraud risks on the Group's businesses and customers, and monitor relevant fraud facts, events and trends.

As part of the efforts to actively support the deployment of appropriate anti-fraud policies and measures, and in an environment of increasing sophistication and regulatory focus on financial crime, the Financial Crime Prevention Unit has been created to perform a joint analysis of fraud and money laundering operations, as the former is often an underlying crime of the latter. This has made it possible to improve operational processes, increase Advanced Analytics, Artificial Intelligence and Machine Learning capabilities and, in short, strengthen fraud analytical capabilities by providing them with a more holistic vision.

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, as the case may be.

Business Continuity

In recent years, Business Continuity has continued to be strengthened from a comprehensive perspective, paying special attention to the Group's digital operational resilience. This consolidates the performance from a model fundamentally aimed at ensuring the uninterrupted delivery of products and services, in infrequent but plausible situations of great impact, towards a model that provides the organization with the ability to absorb and adapt to situations with operational impact due to disruptions of various kinds (such as pandemics, cybersecurity incidents, natural disasters or technological failures), which has resulted in an intense activity of the Business Continuity functions.

Information 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.

During 2023, there were no security incidents that 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 its security objectives.

The Corporate Security unit is organized as a system of committees and working groups to manage the different areas related to information security: security in operations, security related to technology, physical security, security in business processes, personnel-related security, etc. These working groups are responsible for supervising the execution of the information security strategy and effective implementation of the programs designed for each of its four constituent pillars.

The main body of this governance model is the Technology and Cybersecurity Committee, whose functions include monitoring of 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, current cybersecurity and technology trends, and any relevant technological security event that could affect the Group.

During the year 2023, the security governance, legal compliance and corporate assurance models were updated in order to ensure their adaptation to an increasingly demanding and constantly evolving regulatory environment.

Customer experience

The differential value proposition, leveraged on an omnichannel strategy, with cell phones as the reference channel, bore fruit in 2023, a record year in customer acquisition and leadership in individual NPS, underpinned by a simplified and transparent catalog of services, with proactive and personalized proposals or solutions.

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 41% lower than that of non-digital customers.

The internationally recognized Net Promoter Score (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 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. For years, the NPS has therefore been part of the strategic indicators that are monitored on a monthly basis by senior management, both at local and Group level.

The Group's consolidation and application of this methodology over the last twelve 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 Group does, from the outset. This translates into a constant increase in the trust of customers who recognize BBVA as one of the safest and most recommended banking entities in each of the countries in which it is present. Thus, in Spain in 2023 it reached the best historical figure of 18,9% for retail NPS.

Accessibility to services and products

In order to generate a positive impact on society, the accessibility and universal design of digital channels is fundamental to achieve this purpose, favoring financial inclusion.

During the 2023 financial year, audits of the accessibility of the main functionalities of the digital solutions in Argentina and Peru were started in order to make them accessible to people with disabilities. At the same time, BBVA has continued with this audit, which it has been carrying out for some time in Spain.

Also noteworthy is the participation in the protocol to guarantee the financial autonomy of people with disabilities in Spain within the framework of a collaborative agreement with the Spanish Banking Association (AEB) and other representative institutions.

In addition, in response to the social demand related to senior citizens and with the aim of contributing to accelerating progress towards an inclusive economy in Spain, the Strategic Protocol for Social and Sustainable Commitment in Banking, which was reinforced in 2022 by the banking associations AEB (Spanish Banking Association), CECA (Spanish Confederation of Savings Banks) and UNACC (National Union of Credit Cooperatives), remains in force, and within its framework BBVA has established a series of measures to ensure that senior citizens receive personalized and satisfactory attention.

Finally, it is important to highlight the sectoral agreement reached in Spain to ensure face-to-face access to banking services in all Spanish municipalities. The measures included in the "Roadmap to Ensure Financial Inclusion" will make it possible to cover 100% of the territory, by offering a physical access point to banking services even in municipalities that have never had one.

Customer care

BBVA has a claims model based on two key aspects: the agile resolution of claims and, most importantly, the analysis and eradication of the origin of the causes that give rise to them. This model integrates at country level all the policies and guidelines set by the regulatory bodies, in compliance with the local regulations issued by them in relation to the attention, processing and resolution of claims (Ministerial Order ECO/734/2004, of March 11, of the Ministry of Economy in Spain; regulation PUSF - Protection of Financial Services Users, of 04/17/2023, of the BCRA in Argentina; Law for the Transparency and Regulation of Financial Services, of 03/9/2018, in Mexico; etc.). This model is considered to add value when it comes to improving the customer experience, generating peace of mind and strengthening the trust of customers, providing a quick resolution to their problems, through a simple and agile experience, and with a clear and personalized response.

In compliance with the above, the customer service teams in each of the countries attend to and resolve the complaints and claims received from customers in relation to the products and services marketed and contracted in the local BBVA financial entity, recording all the information in this regard, which subsequently allows identifying improvements both at the level of the management model itself and specific improvements in the response process, root cause analysis, etc.

This information (evolution of the volume of claims, response times, main reasons and root causes, etc.) is periodically reported to the Senior Management of the geographic area for follow-up and action, as well as made available to the regulator. It is also integrated at Group level in half-yearly reports to the supervisors of the Bank of Spain and the European Central Bank, as well as in the annual report submitted to the BBVA Group Board of Directors.

In 2023, the Group's claims units[45] worked to keep up the response times achieved in 2022 and proactively identify potential new problems and eradicate the root causes of the most common types of complaints. This is especially true of fraud, which, following the completion of the integration of Visa and Mastercard claims in Argentina[46], accounts for 49% of all the Group's claims and which has increased in recent years as a result of the general growth in card transactions and the various and increasingly sophisticated techniques used to commit fraud. The security measures and communication and awareness-raising campaigns for customers have made it possible to reduce or contain these cases in Spain (with 32% fewer cases than in 2022), although compared to last year there has been an increase in, both, at country level and cases filed with the financial authorities in Colombia, Peru and Mexico for this reason.

[45] The claims handled by these units cover the banking entities located in the geographic areas indicated in this section and include the retail and corporate banking (CBB) businesses.
[46] This integration process is the result of a change in the perimeter of the information to be reported imposed by the local regulator with the objective of working together to eradicate them in 2022.

MAIN INDICATORS OF CLAIMS (BBVA GROUP)

	2023	2022
Number of claims before the banking authority for each 10.000 active customers	12.39	10.67
Average time for setting claims (natural days)	8.46	7.41
Claims settled by First Contact Resolution (FCR) (% over total claims)	9.95	10.07

The slight increase in 2023 in the average time to resolve claims is mainly due to the aforementioned integration for the first full year of the claims handled by Visa and Mastercard into the internal process of BBVA Argentina, with which we began to collaborate in July 2022 in response to a requirement imposed by the local regulator with the aim of working together to eradicate these claims. In 2023, this has led to a 2.2-fold increase in the monthly volume of claims from Argentina since that date, with a significant impact on the average response time (beyond BBVA's control), both at local and Group level.

Claims filed with the supra-banking authorities (per 10,000 active customers) during the 2023 and 2022 financial years are as follows, with a slight increase in Mexico and Colombia due to fraud issues as mentioned above:

CLAIMS BEFORE THE BANKING AUTHORITY BY COUNTRY (NUMBER FOR EACH 10.000 ACTIVE CUSTOMERS) (1)

	2023	2022
Spain	2.56	3.66
Mexico	12.42	10.89
Turkey	9.35	10.96
Argentina	1.60	0.54
Colombia	104.09	66.17
Peru	3.10	1.87
Venezuela	0.03	0.07
Uruguay	0.63	0.39
Portugal	19.83	13.71

Scope: BBVA Group.

(1) The supra-banking authority refers to the external financial authority body in each country, where a customer can file a claim.

The average time to resolve claims in the Group stood at 8.46 days in 2023, higher than the 7.41 days in 2022, as a result of the aforementioned integration of Visa and Mastercard claims in Argentina (which increases the resolution time by 1 day, but is partly offset by the reduction of times in Turkey by increasing the ratio of claims resolved in FCR by 52% (representing 45% of total claims in this geography) and improvement in Peru. The increase in fraud claims in Colombia and Uruguay has impacted their resolution times by requiring longer resolution times.

AVERAGE TIME FOR SETTING CLAIMS BY COUNTRY (NATURAL DAYS)(1)

	2023	2022
Spain	13	12
Mexico	5	4
Turkey	4	5
Argentina	16	15
Colombia	7	5
Peru	6	8
Venezuela	9	10
Uruguay	21	14
Portugal	4	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 financial year.

Claims resolved through the FCR model, which consists of resolving the incident at the time it occurs, thus providing a quality service and improving the customer experience, remained at 10% of total claims, thanks to the increase in the ratio in Turkey, which offset the slight drop in the ratio in Peru and Colombia (both with a high volume of FCR claims), as well as the impact of Visa and Mastercard in Argentina.

CLAIMS SETTLE BY FIRST CONTACT RESOLUTION (FCR. PERCENTAGE OVER TOTAL CLAIMS)

	2023	2022
Spain (1)	n.a.	n.a.
Mexico	10	10
Turkey (2)	45	30
Argentina	3	5
Colombia (2)	24	25
Peru	5	6
Venezuela (1)	n.a.	n.a.
Uruguay	4	8
Portugal (1)	n.a.	n.a.

n.a.: not applicable.

(1) In Spain, Portugal and Venezuela this type of procedure is not applied since claims are received on paper or by electronic means.

(2) In Colombia and Turkey, FCR is considered first level resolution, that is, by the Front in less than 48 hours.

Substantiated claims[47], related to privacy violations and loss of customer data filed with the relevant supra-bank authorities in the countries, have been reduced to 0.003% of total claims (0.004% in 2022), thanks to risk prevention and control policies and measures.

The total volume of claims in 2023, the breakdown of which by country is shown in the table below, represents a 25% increase in the volume of claims compared to the 2022 figure derived, as mentioned above, from the increase in fraud cases related to card transactions (as in the case of Mexico, Peru, Uruguay and Colombia) and essentially from the incorporation of claims managed by Visa and Mastercard in Argentina (+400,000 claims per year), facts that blur the improvements implemented in the claims management process in the Group.

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

	2023	2022
Spain	0.17	0.15
Mexico	1.22	1.05
Turkey	0.24	0.22
Argentina	0.81	0.5
Colombia	0.13	0.12
Peru	0.45	0.38
Venezuela	0.014	0.011
Uruguay	0.02	0.014
Portugal	0.0001	0.0001

For more information on the Customer Care Service and the Customer Ombudsman see the section "2.6.3 Additional information on customer complaints" in the chapter "2.6 Additional information" of this report.

47 Substantiated claims are considered to be those whose resolution has been in favor of the customer.

2.3.3 Employees

Culture & Values

Professional development

Working environment

Remuneration

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, helping them to meet their life goals. The goal as an organization is to have the best and most engaged team, one of BBVA's six strategic priorities. Therefore, BBVA must be able to attract, motivate, train and retain the best talent, aligned with the Group's values. BBVA's people management strategy is based on three principles:

– Have a committed and proud team that believes in BBVA's purpose and embodies its values.
– Drive and support the business through the attraction and development of the best talent, a high performance culture based on transparency, empowerment and meritocracy, adequate training of teams and efficient use of resources, making employees feel that they own and are responsible for their goals at BBVA.
– Create the best environment for talent to perform at their best on the job. An environment that is open and flexible, with a focus on employee well-being, that is inclusive and diverse, where everyone can develop and grow personally and professionally.

These strategic principles are the basis of the employee value proposition, which BBVA develops and implements around three pillars: Bank, Team and People.

In 2023, BBVA continued to promote employee initiatives that have enabled progress in different areas of people management.

– "Bank": 2023 was an excellent year in terms of employee engagement with the Group. During the year, work was done on the connection between personal purpose and Group purpose as well as on the "One Team" feeling, which was reflected, for instance, in the global initiative to support local teams following the earthquake in Turkey. In the Gallup survey, BBVA obtained an outstanding result in engagement, with an overall index of 4.43 -on a scale of 5-, which is +6 basis points above 2022, placing us in the 76th percentile compared to all companies in Gallup.

  In order to continue driving the Agile transformation in the Group, BBVA developed its operational model around 3 areas: i) evolution of the organizational model, promoting autonomy and end-to-end empowerment; ii) promotion of multidisciplinary teams, advancing in the configuration of cross-functional teams and the Agile work methodology; and iii) development of the project prioritization model.

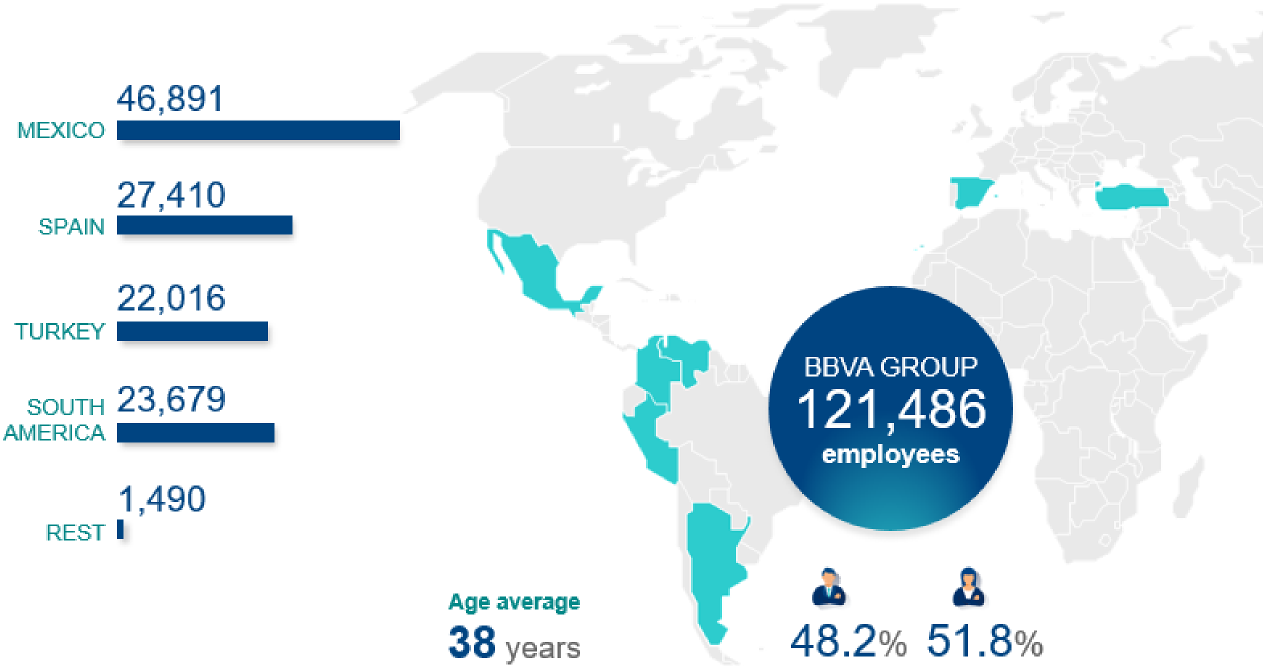
  As part of the strategy to attract the best talent, BBVA rolled out a new global organizational model that aims to change the approach to the talent market, significantly increasing proactive searches for the passive candidate and the presence in specialized technology and investment banking niches.

– "Team": the Group continued to promote the role of the manager as a fundamental element in BBVA's transformation, defining a good manager as one who achieves the established business objectives, embodies the values and fosters the development of his or her teams.

  BBVA continues to firmly support diversity in its different areas. In terms of gender diversity, different initiatives were launched in all geographies and global areas that have enabled the ratio of women in management positions to increase to 34.7%, a growth that, if maintained, will make it possible to reach the target of 35% by 2024. Likewise, there was also a strong focus on the inclusion of people with disabilities, where the BBVA Group has increased the number of people hired by 38% in relation to 2022 (891 compared to 645 in 2022).

– "People": BBVA continued to promote the training of its teams in key skills for the Group's transformation, with specific training plans in competencies such as sustainability, where more than 21,000 employees (of which more than 18,000 are business employees) completed at least one specialized training course.

The financial health of employees is one of the Group's strategic priorities. In line with the measures implemented in 2022, BBVA has continued to improve compensation conditions in the different geographies in order to maintain the purchasing power of its employees.In addition to the performance-based salary increase (merit) and salary updates in some high-inflation geographies, the Group also introduced other economic benefits for employees. For example, in Spain BBVA's minimum contribution to the employee's pension plan has been increased (+48%), the new long-term savings policy has also come into force, the agreement for the novation at a fixed rate has been signed of the social housing loans in force and the conditions of Health Insurance for employees have been improved. Another example is Mexico, where an improvement has been made in employee benefits and benefits, improving the conditions of the major medical expenses policy and which includes specific coverage for certain groups.



Note 1: Figures as of December 31, 2023
Note 2: Criteria for number of employees is based on location

As at 31 December 2023, BBVA Group had 121,486 employees located in over 25 countries, an increase of 5% in the year. The growth in headcount is mainly due to the hiring of profiles associated with the Group's transformation, especially in the strategic areas of Engineering, Data and Customer Solutions, and to the hiring of teams in sales networks in geographies such as Mexico to keep pace with business growth.

Governance & control

Talent and Culture (T&C), as BBVA's people management area, has a governance model whose objective is the adequate definition and implementation of the talent management strategy in the BBVA Group, ensuring compliance with the legal framework in force in all labor areas. Periodically, and in accordance with established policies, standards and procedures, the global head of the area reports to the Board of Directors on the main strategic decisions regarding people management as well as the main advances in their implementation.

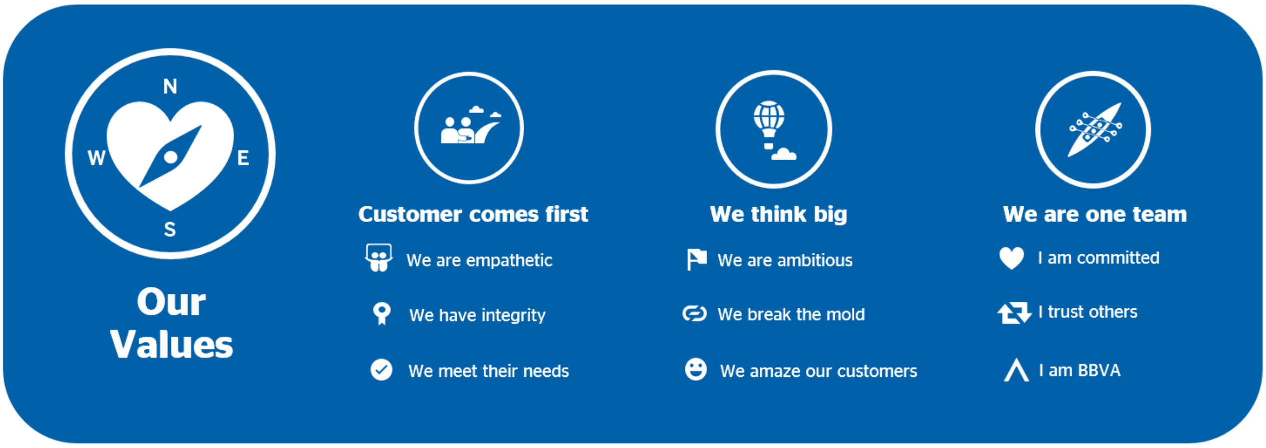
The area has a series of committees in which both the global managers of the area's core and cross services and the T&C managers of the countries and business areas participate. These committees align and coordinate the global-local strategy based on priorities and a common agenda, taking market trends and internal best practices as a reference. These meetings are held at least monthly and are complemented by local people management committees.

In accordance with the BBVA Group's General Risk Management and Control Model detailed in chapter "4. Risk Management" in this report, BBVA has a second line of defense with a unit specializing in people risk control (People RCS), whose scope of responsibility includes a wide range of risks, classified into risks related to employee health and safety, labor rights and regulations, and talent management and corporate culture (among which are included: lack of specialization, talent drain, inadequate staff sizing, etc.). For these risks there is a General Mitigation, Control and Monitoring Framework for which an annual self-assessment is carried out to evaluate the degree of implementation by the first line of defense, as well as continuous monitoring based on representative metrics to ensure compliance with the associated Risk Appetite Framework.

The disclosure included in this chapter is complemented by quantitative information broken down in section "2.6.2 Additional information on employees" in chapter "2.6 Additional information".

Culture & Values

BBVA’s values and behaviors are the action guidelines for the employees in their day-to-day decision-making and help them accomplish the Groups' purpose "to bring the age of opportunity to everyone." Values and behaviors are the hallmark of all those who work in the Group and define BBVA's actions.



BBVA's values are embedded in the key 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, assessment, people development, training, and even incentives for achieving annual goals.

In February 2023, after the earthquake that devastated Turkey, BBVA launched a global and voluntary initiative through which the Group's employees participated with financial donations to help affected employees and colleagues in Turkey. In this way, this global initiative complemented all the efforts made locally by Garanti BBVA to help and accompany impacted employees, being the best example of how values are lived at BBVA. This aid was implemented through a specific plan that included: the relocation of employees whose homes have been severely damaged; the conditioning and internal renovation of slightly damaged houses; and help for replacing furniture and purchasing clothing.

Likewise, in 2023, the sixth edition of Values Day was held, a day on which employees celebrate BBVA's culture and delve into the positive impact that the daily application of values has on stakeholders. This edition, with the motto "Connected by our purpose", worked on BBVA's purpose through the connection with the personal purpose of each of BBVA's employees, that which gives meaning to their lives. Aligning personal and professional purpose strengthens employee engagement. It was conducted in a mixed format of face-to-face and online activities in all of the Group's geographies and involved more than 100,000 employees globally.

BBVA conducts an annual Employee Engagement Survey, managed externally by Gallup. In 2023, the seventh listening process was carried out, in which almost 96% of employees participated. BBVA shows an outstanding performance in employee engagement with an overall rating of 4.43 (on a scale of 5), up 6 basis points from 2022, entering the top quartile of Gallup's customer base with 86.6% of employees showing an engagement rating equal to or higher than 4. These results are the consequence of the work of all the teams that develop action plans and other actions, with almost 86% of teams with specific plans having achieved this year.

The attached table shows the main commitment indicators:

ENGAGEMENT INDICATORS [(1)]

	2023	2022
Employee Engagement Index: GrandMean (scale 5) [(2)]	4.43	4.37
BBVA's engagement percentile compared to total companies	76	72
Employee satisfaction index (scale 5)	4.52	4.47
Engagement ratio (number of employees engaged versus number not engaged)	16.56	12.95

[(1)] 2023 includes information from Turkey. Data for 2022 has been updated to align scope and differs from that published in the 2022 Statement of Non-Financial Information.

[(2)] By age group, the results for this year's engagement index were as follows: 4.51 points out of 5 among employees under 25 years of age; 4.43 points for the 25 to 34 age group; 4.42 points for 35 to 44 years of age; 4.44 points for 45 to 54 years of age; and 4.43 points for employees over 55 years of age. By gender, the results were similar for men (4.44) and women (4.42).

BBVA continues to promote a corporate culture of social and environmental commitment to help customers in the transition to a sustainable future, with a focus on climate change and inclusive and sustainable social development. Within this program, other actions include among other facilitating employees' access to community service activities. For more information on volunteer actions, see "Volunteering" in section "2.3.1 Society" of this report.

Professional development

In 2023, BBVA consolidated its professional development model that makes employees the owners of their development and is structured in three modules: 1. know themselves better, 2. improve to grow and 3. explore new paths. This model is equipped with an ecosystem of tools that allows employees to make decisions about their professional career and take advantage of the opportunities that best align with their interests. The employee has also a team of Advisors dedicated to supporting and advising them throughout the entire process, as part of the framework of the T&C Relationship Model.

Talent attraction

BBVA seeks to offer a unique value proposition through a common brand, in line 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 involved in the process

Innovation and technology are the fundamental levers of BBVA's transformation. The Group has therefore reinforced its efforts to attract talent in strategic profiles with high demand through segmented measures and initiatives (differentiated and specific attraction measures depending on the profiles).

In 2023, BBVA rolled out a new global organizational model in the area of talent attraction, which aims to change the approach to the market, significantly increasing proactive searches for the passive candidate and the presence in specialized niches, especially in technology and investment banking. Likewise, a profound technological and process transformation is underway to provide recruiting teams with tools that enhance this approach to the market, giving maximum relevance to the experience of candidates and the knowledge that the teams must have of the supply and demand of an increasingly dynamic and competitive market. With this transformation, BBVA aims to be at the forefront of talent acquisition, also incorporating attraction and branding capabilities that make the most of such a well-positioned brand.

SIGNED CONTRACTS BY GENDER (BBVA GROUP. NUMBER)

	2023			2022		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain	3,085	1,731	1,354	2,731	1,430	1,301
Mexico	9,570	5,295	4,275	11,908	6,213	5,695
Turkey	2,898	1,368	1,530	2,863	1,321	1,542
South America	4,115	1,770	2,345	4,750	2,095	2,655
Rest	260	163	97	254	170	84
Total	**19,928**	**10,327**	**9,601**	**22,506**	**11,229**	**11,277**
Of which permanent contracts are [1]:						
Spain	2,161	1,321	840	1,748	1,021	727
Mexico	1,003	519	484	3,214	1,785	1,429
Turkey	2,412	1,109	1,303	2,537	1,148	1,389
South America	3,178	1,442	1,736	3,024	1,546	1,478
Rest	211	142	69	204	139	65
Total	**8,965**	**4,533**	**4,432**	**10,727**	**5,639**	**5,088**

[1] Includes hires through consolidations.

Talent hiring activity remained steady throughout the year.

SIGNED CONTRACTS BY GENDER (BBVA GROUP. NUMBER)

	2023			2022		
	Total	Male	Female	Total	Male	Female
Spain	3,085	1,731	1,354	2,731	1,427	1,304
Mexico	9,570	5,295	4,275	11,908	6,556	5,352
Turkey	2,898	1,368	1,530	2,863	1,321	1,542
South America	**4,115**	**1,770**	**2,345**	**4,750**	**2,072**	**2,678**
Argentina	491	243	248	618	381	237
Bolivia	1	—	1	26	8	18
Brazil	—	—	—	—	—	—
Colombia	957	404	553	1,254	580	674
Chile	141	73	68	212	106	106
Peru	2,356	959	1,397	2,468	915	1,553
Uruguay	35	20	15	14	7	7
Venezuela	134	71	63	158	75	83
Rest	**260**	**163**	**97**	**254**	**169**	**85**
Germany	9	7	2	5	3	2
Belgium	1	—	1	—	—	—
China [(1)]	22	14	13	20	13	12
South Korea	1	1	—	—	—	—
United Arab Emirates	—	—	—	—	—	—
The United States	100	72	28	134	94	40
France	14	11	3	15	12	3
India	—	—	—	—	—	—
Indonesia	—	—	—	—	—	—
Italy	18	10	8	3	2	1
Japan	2	2	—	1	1	—
Portugal	29	14	15	15	8	7
United Kingdom	45	29	16	37	26	11
Singapore	4	—	4	5	2	3
Switzerland	15	8	7	21	12	9
Taiwan	—	—	—	2	—	2
Total	**19,928**	**10,327**	**9,601**	**22,506**	**11,545**	**10,961**

[(1)] Includes employees of BBVA entities in China and Hong Kong.

SIGNED CONTRACTS BY AGE STAGES (BBVA GROUP. NUMBER)

	2023					2022				
	Total	<30	30-39	40-49	≥50	Total	<30	30-39	40-49	≥50
Spain	3,085	1,389	960	550	186	2,731	1,133	998	465	135
Mexico	9,570	5,801	2,972	609	188	11,908	6,475	4,340	844	249
Turkey	2,898	2,144	535	158	61	2,863	2,040	667	121	35
South America	4,115	2,551	1,244	273	47	4,750	2,725	1,612	334	79
Rest	260	92	77	56	35	254	87	75	56	36
Total	**19,928**	**11,977**	**5,788**	**1,646**	**517**	**22,506**	**12,460**	**7,692**	**1,820**	**534**
Of which permanent contracts are [(1)]:										
Spain	2,161	1,158	652	290	61	1,748	864	654	184	46
Mexico	1,003	611	331	52	9	3,214	1,586	1,298	250	80
Turkey	2,412	1,762	487	126	37	2,537	1,772	636	103	26
South America	3,178	1,811	1,074	255	38	3,024	1,449	1,215	295	65
Rest	211	73	64	43	31	204	78	61	39	26
Total	**8,965**	**5,415**	**2,608**	**766**	**176**	**10,727**	**5,749**	**3,864**	**871**	**243**

[(1)] Includes hires through consolidations.

Development

BBVA's talent development and growth model is centered on the employee. It is a model based on the principles of trust, empowerment and transparency that govern the relationship between BBVA and people. Employees are responsible for their own professional development and rely on their manager as their main support in the bank to accompany and guide them throughout their career at BBVA.

In 2023, BBVA continued to promote the figure of the manager as a key player in BBVA's transformation, defining the characteristics of a good manager and the key competencies he/she should have in order to evaluate them periodically and prepare and implement personalized growth plans that allow BBVA managers to continue to grow professionally.

The role of the manager takes on a differential role, with three key factors at BBVA: someone who lives the Group's values, impacts the achievement of results and the development of people. It requires, therefore, skills, attitudes and behaviors to achieve it.

A good manager impacts the development of teams by accompanying them as a reference, being a daily example on a daily basis from a professional point of view: setting objectives, promoting the achievement of results, participating in people's assessment processes and ensuring their well-being. professional development. But also from a personal perspective, promoting the culture of 'feedback', promoting people's well-being, motivation and commitment.

BBVA has a growth model based on meritocracy and transparency. This model makes it possible to evaluate all employees with an established periodicity and objective and common criteria throughout the group, to determine the individual performance of each employee. In 2023, BBVA has promoted more than 18,000 employees globally.

PROMOTED EMPLOYEES BY GENDER (BBVA GROUP)

	2023			2022		
	Number of promoted employees	Male	Female	Number of promoted employees	Male	Female
Spain	3,430	1,636	1,794	3,092	1,463	1,629
Mexico	10,001	4,948	5,053	7,406	3,685	3,721
Turkey	3,218	1,395	1,823	2,755	1,122	1,633
South America	1,874	821	1,053	2,567	1,070	1,497
Rest	111	67	44	187	129	58
Total	**18,634**	**8,867**	**9,767**	**16,007**	**7,469**	**8,538**

The Group's development model has different tools and specific communication moments throughout the year that allow for development and performance conversations with employees. The opportunity to give and receive feedback is generated in an agile way through specific processes and initiatives such as the annual people assessment process, the quarterly Project Review process or in an ad hoc fashion, through the Hot Feedback initiative.

BBVA continues to evolve the global ecosystem of tools that are part of its development model, expanding its scope and impact and focusing on the personalization of the service offering, as follows:

- The "Opportunity" tool allows employees to explore new opportunities for growth in the Group, through a unique experience, providing personalized recommendations at the area and geographic level.
- "Coaching", which doubled its capacity in 2023. It was attended by more than 1,000 employees who were accompanied by coaches.The 65% of the participants have done so with the help of the 350 certified internal coaches that the Group has.
- "Open Mentoring" helps employees develop their skills, acquire new knowledge and ideas and expand their network of contacts within the organization. In this type of guidance, the figure of the mentor takes on great importance, as he or she shares his or her knowledge and experience. The initiative had more than 1,600 relationships in 2023 (+60% vs. 1,000 relationships in 2022). In addition, it incorporates customized programs with a specific value offer adapted to the employee's stage in life such as: International Mentoring, Mentoring female talent and Mentoring The Good Managers.

In 2023, BBVA continued to promote globality and internal mobility, where the percentage of vacant positions filled with internal candidates stood at 46% in 2023 (60% in 2022) and demonstrates the commitment to the global policy of prioritizing internal talent over external talent. In relation to globality, during the year, the group increased the total number of international placements made among employees from different geographies from 420 in 2022 to 652 in 2023 (+55%). These types of placements respond to a variety of strategic, business and professional growth needs, with very positive feedback from employees.

Training

BBVA's training model provides employees with resources that make them the central players in their learning experience, using methodologies that are recognized as benchmarks in the market. Technological innovation also facilitates guided learning accompanied by personalized advice, enabling them to make the best career decisions.

The advances in the implementation of the training model, BBVA Campus, and its solidity allow BBVA to anticipate and adapt with agility to the increasingly changing training needs in the midst of the transformation challenges in which the Group is immersed to shape its future. Campus BBVA makes it possible to respond to the needs of the Group, areas and people, supporting the achievement of strategic business objectives. Therefore, in 2023, the Group maintained its investment in training, which amounted to 421 euros per employee (+16% compared to 2022).

The basic training data for 2023 and 2022 are shown below:

BASIC TRAINING DATA (BBVA GROUP)

	2023	2022
Investment in training (millions of euros)	51.1	42.1
Investment in training per employee (euros) (1)	421	364
Hours of training per employee (2)	49.3	43.7
Employees who have received training (%) (2)	99.1	97.8
Average participations per employee (3)	33.9	31.9
Satisfaction with the training (rating out of 10)	9.6	9.7
Amounts received from FORCEM for training in Spain (millions of euros)	1.5	1.3

(1) Ratio calculated considering the total workforce of the Group at the end of each financial year.

(2) Ratio calculated by dividing the total training hours for the entire year by the Group's total workforce with access to the training platform at the end of the year.

(3) Ratio calculated by dividing the number of total training resources completed by the total number of the Group's workforce with access to the training platform at the end of the year.

BBVA offers employees a global learning platform with a training catalog that incorporates, on an ongoing basis, a selection of specific resources for professionals to acquire the knowledge and skills necessary for their development. It highlights the variety of formats that, due to their dynamism and flexibility, adapt to the employee's way of learning: MOOCs (Massive Open Online Courses), podcasts, videos, blogs, practical communities, portals structured by areas of knowledge or simulators, etc. In addition, for specialized technical profiles, access to external training platforms of recognized worldwide prestige and courses from leading educational institutions is offered.

All of this has contributed to consolidating a culture of unparalleled continuous learning that employees integrate naturally into their daily routines. It enables employees to be trained when they need it and in the formats that suit them best to help them meet their business challenges. Online training has established itself as the employee's preferred learning methodology, as over the last 4 years, more than 94% of training has been conducted online (in 2023 it was 92%) with an average satisfaction index of 9,71 (out of 10), in 2023.

As part of the Group's training offerings at Campus BBVA, "The Camp" is a gamified and digital experience that allows employees to boost and accelerate the development of the Group's strategic capabilities, both for their current and future roles.

The BBVA Group's training catalog is organized into 4 major content groups: 1) business accelerators, 2) facilitating skills, 3) human skills and 4) technological capabilities. This structure seeks to facilitate the assimilation of knowledge at different levels of depth and to guarantee a positive impact on the personal and professional development of employees.

TRAINING DATA BY TOPIC AND GENDER (1) (BBVA GROUP. 2023)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Business accelerators	92,032	43,434	48,598	1,601	799	802
Enabler skills	115,915	55,005	60,910	2,421	1,089	1,332
Human skills	115,167	55,178	59,989	1,390	651	739
Tech capabilities	111,315	54,068	57,247	518	302	216

(1) Data includes the Group's total workforce with access to the training platform at the end of the year.

TRAINING DATA BY TOPIC AND GENDER (BBVA GROUP. 2022)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Business accelerators	75,496	34,094	41,402	1,150	568	582
Enabler skills	111,194	52,526	58,668	2,352	1,058	1,295
Human skills	97,272	46,178	51,095	1,076	483	594
Tech capabilities	75,040	36,098	38,942	440	253	187

In order to provide the necessary knowledge for the Group's professionals to address sustainability as a key and strategic focus in their different areas of activity (as part of the business accelerators), in 2023, more than 90 new courses have been added to the training catalog. Throughout the year, more than 53,500 professionals have completed at least one sustainability course, adding a total of more than 112,000 hours of training on the subject.

In relation to specialized training, in which more than 21,000 employees have participated, the following actions are noteworthy:

- Banking professionals for companies, SMEs and individuals, where more than 17,000 employees have been trained with a focus on products, risks, commercial systems and sectors.
- At CIB, several training programs have been developed for bankers and risk analysts on portfolio alignment by sector and use of the different internal tools developed for the management of the Group's objectives (alignment dashboard with PACTA methodology and Transition Risk Indicator), in which around 500 employees have participated.
- Training aimed at different specialists who work on the design of sustainability solutions on key topics such as: risks, inclusive growth, reporting, standards, supply chain and sustainable agriculture, with a total of more than 3,700 trained professionals.
- Internal and external certifications, as well as specialization programs in collaboration with recognized international institutions, in which more than 600 professionals have participated.

BBVA has also had a high participation in courses and training in cybersecurity, data, agile methodologies, design and behavioral economics, where more than 95,000 employees have been trained for a total of more than 437,800 hours.

The data on training in 2023 and 2022 are collected in the following tables:

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER[1] (BBVA GROUP. 2023)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Management team [2]	5,377	3,509	1,868	210	129	81
Managers	40,463	20,616	19,847	2,339	1,199	1,139
Rest of employees	74,255	33,670	40,585	3,382	1,514	1,869
Total	**120,095**	**57,795**	**62,300**	**5,931**	**2,842**	**3,089**

[1] Data includes the Group's total workforce with access to the training platform at the end of the year.

[2] The management team includes the highest level of management in the Group.

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER[1] (BBVA GROUP. 2022)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Management team [2]	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**

[1] Data includes the Group's total workforce with access to the training platform at the end of the year.

[2] The management team includes the highest level of management in the Group.

TRAINING DATA BY NATIONALITY (BBVA GROUP. 2023)

	2023		2022	
	Number of employees with training	Training hours (thousands)	Number of employees with training	Training hours (thousands)
Spanish	26,668	1,425	24,734	1,294
Mexican	46,696	2,230	43,516	1,870
Turkish	20,553	1,084	20,122	1,008
South American [1]	23,495	1,139	22,089	779
Rest of nationalities	2,683	52	2,629	69
Total	**120,095**	**5,931**	**113,090**	**5,019**

[1] Includes Central America

TRAINING DATA BY GENDER AND AGE [1] (GROUP BBVA. 2023)

	Total	Male				Female			
		<30	30-39	40-49	≥50	<30	30-39	40-49	≥50
Number of employees with training	120,095	13,162	20,310	14,801	9,522	14,297	23,333	17,240	7,430
Training hours (thousands)	5,931	912	970	604	356	977	1,056	763	293

[1] Data includes the Group's total workforce with access to the training platform at the end of the year.

TRAINING DATA BY GENDER AND AGE (GROUP BBVA. 2022)

	Total	Male				Female			
		<30	30-39	40-49	≥50	<30	30-39	40-49	≥50
Number of employees with training	113,090	9,590	19,497	14,598	9,857	11,315	23,071	17,334	7,828
Training hours (thousands)	5,019	614	839	583	325	710	944	718	286

AVERAGE NUMBER OF TRAINING HOURS (1) BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP)

	2023			2022		
	Total	Male	Female	Total	Male	Female
Management team (2)	39.0	36.7	43.2	32.0	30.9	34.1
Managers	57.8	58.2	57.4	49.3	51.0	47.5
Rest of employees	45.6	45.0	46.0	41.1	39.5	42.3

(1) Data includes the Group's total workforce with access to the training platform at the end of the year.

(2) The management team includes the highest level of management in the Group.

EMPLOYEE TRAINING (BBVA GROUP. NUMBER, PERCENTAJE)

	2023		2022	
	Number	%	Number	%
Investment in training of payroll (1)		1.01		0.97
Increase in the capacity to generate income as a result of training (2)	365.72		368.52	

(1) Training investment / Wages and Salaries

(2) Return on investment in human capital; a. Total Revenue (EUR) - Gross Margin; b. Total Operating Expenses (EUR) - Administration costs; c. Total Training related expenses (EUR); d. Resulting HC ROI (a - (b-c)) / c

Diversity and inclusion

BBVA understands that diversity and inclusion are firmly aligned with its purpose and values, and works to ensure that its workforce is a true reflection and representative of the society in which it operates. BBVA's focus on diversity issues allows us not only to attract and retain the best talent, but also to better understand and meet the needs of our customers. In 2023, efforts were intensified in gender diversity, LGTBIQ+ inclusion, generational diversity, ethnic diversity and the integration of people with disabilities, recognizing that each individual brings unique perspectives that enrich the organization and society at large.

BBVA works together with the Employee Resource Groups (hereinafter ERGs), which are internal working groups created and managed at the employees' own initiative. Their function is to promote diversity and foster professional relationships among people with common interests. Several ERGs have been established in different geographic areas, with which we cooperate in identifying the needs of our employees and implementing impact initiatives.

In order to be a true reflection of the society in which it operates, BBVA is focusing on different types of diversity: gender, LGTBIQ+, people with disabilities, intergenerational and ethnic-cultural.

In terms of gender diversity, in 2022, and after reaching the target of 40% women on the Board of Directors, BBVA took a further step towards gender equality and set a target of 35% women in management positions at the end of 2024, as a sign of its commitment to promoting equal opportunities. In 2023, work continued on defining and launching initiatives at a global level to achieve the target set.

For instance, the "Yo Soy Talento Femenino" (I am Female Talent) program has been launched, an initiative through which a group of high-potential female BBVA employees has been identified and provided with various tools to help them develop to their full potential. These tools include:

- Specialized training: preferential access to management development programs (MDP) and scholarships in external training programs such as "Yo Soy Promociona" or "Yo Soy Progresa".
- Mentoring: includes the "Top Mentoring" program through which they are mentored by the top managers of their areas, including members of BBVA's Global Leadership.
- Coaching: prioritization in obtaining a place in internally organized coaching programs.
- Networking activities: participation in both internal and external activities with women from other companies, with the aim of establishing professional ties that will help them advance in their professional career.

By December 2023, the percentage of women in management positions stood at 34.7%, in line to reach the established target of 35% in 2024.

In Spain, BBVA signed a new Equality Plan with 97.4% of union representatives, which aims to achieve real and effective equality of opportunities between men and women. The new Plan reinforces the Bank's current policy of ensuring equality and integrating the gender perspective in all areas. It also incorporates measures to move towards a balanced presence of women and men at all organizational levels. The agreement also addresses other important aspects, such as remuneration policy, culture and leadership, health from a gender perspective and inclusive communication. The agreement also includes BBVA's commitment to increase support for victims of gender-based violence and includes a protocol against sexual and gender-based harassment. The different reporting channels are noted, prevention and victim protection measures are implemented, and a catalog of best practices is included, including dissemination and awareness-raising among the workforce.

In 2023, BBVA renewed its global partnership agreement with Inspiring Girls International, with the goal of continuing to support a better future for girls around the world. In addition, BBVA was awarded the "IT Pioneers" prize for its contribution to the promotion of female technological talent. The "Women Trader Academy" program was also launched, with the aim of raising awareness of trading to encourage female students and recent graduates to consider this option as a viable career path.

In Mexico, breastfeeding rooms have been introduced in the commercial bank branch network, designed so that employees can express milk without being disturbed. Furthermore, an internal awareness-raising process has been carried out with the aim of eradicating biases and myths about breastfeeding.

The Group has protocols for preventing and dealing with sexual harassment in the main geographical areas in which BBVA operates, expressly stating BBVA's rejection of any behavior of a sexual nature or connotation that has the intention or has the effect of violating a person's dignity, and is committed to the application of said agreement as a solution to prevent, detect, correct and punish this type of conduct within the company. Likewise, BBVA's Code of Conduct, which is applicable to the entire Group, expressly mentions the Group's non-acceptance of this type of conduct and its efforts to eradicate it.

In terms of gender diversity, in 2023 and 2022 women accounted for:

REPRESENTATION OF WOMEN IN BBVA GROUP (PERCENTAGE)

	2023	2022
Women in the Board of Directors	40.0	40.0
Women in Senior Management or Top Management	23.5	22.2
Women in the Management Team	34.7	33.5
Women in the Management Team (including office directors)	42.2	39.6
Women in Business Generation and Profit-Making Positions	57.6	57.6
Women in STEM Positions	30.6	29.5
Women in Middle Management Positions	26.6	25.3
Women in Junior Management Positions	35.1	34.0

The distribution by age and gender of the Board of Directors and Senior Management for 2023 and 2022 is shown in the following tables[48]:

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

	2023				2022			
	<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	—	—	23.5	76.5	—	—	33.3	66.7

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

	2023		2022	
	Male	Female	Male	Female
Board of Directors	60.0	40.0	60.0	40.0
Senior Management	76.5	23.5	77.8	22.2

In the area of LGTBIQ+ diversity, the Agreement on measures to achieve equality for LGTBIQ+ people and the protocol on harassment due to sexual orientation, sexual identity and gender expression was signed in Spain with 100% of the legal representation of employees. This agreement reinforces the Bank's current policy of promoting plurality in the work environment and ensuring equal and inclusive treatment of all people. In addition, it includes a protocol for reporting cases of harassment motivated by sexual orientation, sexual identity and gender expression.

Likewise, in Spain, BBVA holds the presidency of the Business Network for LGTBI Diversity and Inclusion (REDI), the first business association in Spain created to promote an inclusive and respectful environment in organizations, and globally celebrates LGTBIQ+ Pride Day. In Argentina, BBVA continues with its initiative for the insertion of trans and non-binary people in the labor market.

[48] For the purpose of diversity calculations, executive directors have been included in both the Board of Directors and Senior Management calculations.

In terms of diversity for people with disabilities, BBVA reaffirms its commitment to the labor integration of this group with the launching of different specific initiatives:

- BBVA Mexico held the first inclusive recruitment fair for people with disabilities, at which more than 1,500 résumés were received. Throughout the year, 180 people were hired through this event. We are also working to raise awareness and train the teams that receive employees with disabilities. In 2023, more than 21,000 employees received training in this area.
- In Spain, BBVA, together with the Adecco Foundation, has the Family Plan in place, which provides support to family members of employees with disabilities. Various volunteer activities have also been carried out with the NGO Special Olympics or with the ConectTEA Foundation (for more information on volunteer activities, see "Volunteering" in section "2.3.1 Society").
- Meanwhile, in Turkey, Garanti BBVA created a working group with students, experts, academics and bank employees with the aim of improving its position as an employer of people with disabilities.

As of December 31, 2023, BBVA had 891 people with disabilities on the Group's staff (645 in 2022), of whom 379 are located in Turkey, 263 in Mexico, 197 in Spain, 40 in South America and 12 in Portugal.

BBVA in Spain also favors inclusion and diversity by engaging services through "special employment centers" (CEEs, for its acronym in Spanish). These are sheltered employment companies where the labor integration of people with disabilities is promoted. During the 2023 financial year, the turnover of CEEs to the Bank amounted to approximately 2.5 million euros (as of December 31, 2022, turnover amounted to 1.9 million euros).

In relation to generational diversity, BBVA co-organized, together with the Transforma Foundation, the second edition of the Added Value Awards. The aim is to recognize those people who have contributed with their work and merits in the educational, scientific, technical, cultural, social and business areas to enhance the value of senior talent in Spain, especially if their greatest achievement has been attained during their senior years.

In this line, the International Day for Intergenerational Diversity was marked with the launch of the Guide to Generational Diversity for Managers and the holding of the "A Look at Generational Diversity" event with a workshop for employees. In addition, various volunteer activities have been carried out for the elderly and to accompany people in nursing homes.

The Group has also carried out initiatives to promote ethno-cultural diversity in different geographic areas. BBVA Colombia carried out several initiatives to make ethnic diversity visible within the organization, including interviews with employees belonging to ethnic groups, as well as conferences and meetings on the subject. These activities seek to promote understanding and respect for the different cultures and ethnic groups present in the company.

Likewise, at BBVA, diversity has an important milestone, which is the annual celebration of "Diversity Days", internal days to promote diversity, inclusion and equity in the workforce through activities, conferences and events over the course of a week, which also aims to further explore projects promoted by the Group around the world in this area. The fourth edition of the event was held in 2023 with Peru as the host country.

Over the course of these conferences, BBVA signed a declaration of principles against discrimination and harassment in the workplace that protects its employees against discriminatory behavior, as well as any unfavorable treatment related to nationality, race, ethnic origin, religion, gender, sexual orientation, sexual identity or gender expression, marital status, age, economic status, disability or family responsibility. The document dedicates a point to highlighting support for the LGTBIQ+ collective to make itself visible and identify itself, to the decisive promotion of a corporate culture that embraces differences, to the generation of an inclusive and safe work environment, and to committing to prevent, detect, correct and sanction any type of discriminatory conduct.

In conclusion, and in line with employee feedback, BBVA continues to make positive progress in terms of diversity as shown by the results of the Employee Engagement Survey (Gallup), specifically in the question "BBVA always values diversity", in which for yet another year, BBVA outperformed the previous year's score, with a score of 4.72 out of 5, up from 4.64 in 2022 and 4.53 in 2021.

In addition, BBVA was included in the Bloomberg Gender Equality Index for the sixth consecutive year, a ranking of the world's companies with the best practices in gender diversity, and has been included in the Equileap index as one of the 100 best companies in the world in terms of gender equality.

In Spain, BBVA once again holds the Distinction for Equality in the Company awarded by the Ministry of Equality for a period of 3 years. This recognizes the Bank's commitment to Equal Opportunities between men and women, with measures that promote productivity and the reconciliation of work and leisure time, dissemination and awareness-raising measures in the Bank and in society as a whole, including actions to give greater visibility to women who hold positions of responsibility in the organization, as well as initiatives that promote female vocations in careers in STEM.

In keeping with this line, the Family-Responsible Company certificate has also been maintained.

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 that the Group has in place in the area of working conditions and employee rights, work/life balance and occupational health and safety.

Work organization

In 2023, and with the aim of continuing to drive the Agile transformation in the Group, BBVA developed the organizational and operational model around 3 areas:

- Development of the organizational model, promoting autonomy and end-to-end empowerment in the execution of processes.
- Promotion of multidisciplinary teams, advancing in the configuration of transversal teams and the Agile work methodology.
- Development of the project prioritization model.

BBVA consolidated the flexible work model implemented in 2022 in those functions in which it is feasible, 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 performed.

In 2023, BBVA promoted the remote work model in certain groups of the network, such as the Zona Contigo for remote management of customers in Spain.

This voluntary work model, which is generally reversible for both BBVA and the employee, is based on flexibility, responsibility and trust in people. Respecting the flexibility to specify the days of remote work, it promotes the coordination of the people who make up the work teams to coincide in person, in the belief that the proximity between people is key to having solid and cohesive teams.

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 in order 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.

To promote disconnection, initiatives have been carried out such as not sending e-mails or not calling meetings after certain hours in the evening or during weekends and holidays, or not calling meetings one afternoon a week in order to dedicate that time to planning tasks and individual work.

Maternity and paternity leave

BBVA is committed to the welfare of its employees, complementing and expanding the benefits established at local level in the main geographical areas where it operates.

In Spain, in order to safeguard the period of pregnancy and the care of the child, during pregnancy it is permitted to shorten working hours by reducing the midday break or by reducing the working day by one hour. The use of time off for infant care is improved, so that if it is taken in the form of a reduction of the working day, the time of the reduction is extended from half an hour to one hour; and if it is taken in the form of accumulated leave, the period for taking the leave is extended to twelve months of the child's life instead of nine months. During maternity or paternity leave, BBVA complements the economic benefits up to 100% of the usual salary and upon reincorporation, both the mother and the non-pregnant parent may convert the split workday into a continuous workday for up to twelve months of the child's life, a possibility that is also extended to cases of adoption of a child up to the age of five. The period during which a reduced working day may be taken is extended from the child's twelfth birthday until the end of the school year. Y in the event of the birth or adoption of a disabled child, employees may be granted a leave of twenty-two days, reduced working hours or additional flexibility in addition to the general working hours.

In Mexico and Colombia, BBVA extends parental leave by twenty working days and ten working days, respectively, in addition to the days provided for in 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 each day, combine the hours into one day of leave per week, or add them all together and extend their maternity leave by approximately one month. Mothers can also choose to extend their maternity leave with unpaid leave. With respect to paternity leave, paid paternity leave is extended by five extra days, in addition to the legally established five.

For employees in Peru and Argentina, BBVA extends paternity leave by twenty calendar days and thirty calendar days, respectively. In Argentina, in cases of premature birth, the mother is entitled to paid leave for the same number of days by which the birth is premature. Additionally, in the event of the birth or adoption of a disabled child, paternity and maternity leave is extended by sixty calendar days.

In Uruguay, BBVA extends paternity leave by three working days in addition to the ten days provided for in the legislation, and in the case of mothers, it is extended by twenty-two calendar days which, together with the ninety-eight days provided for in the legislation, make a total of one hundred and twenty calendar days. In addition, mothers can opt for different teleworking arrangements for a period of six months after their return to work.

PARENTAL LEAVE (BBVA GROUP. NUMBER, PERCENTAGE)

	2023			2022		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Number of employees who have been entitled to parental leave	3,691	1,585	2,106	3,715	1,592	2,121
Number of employees who have taken parental leave	3,691	1,585	2,106	3,603	1,516	2,085
Number of employees who have returned to work in the reporting period after finishing their parental leave	3,614	1,631	1,983	3,506	1,643	1,863
Number of employees who have returned to work after finishing their parental leave and who were still employed 12 months after returning to work	3,430	1,508	1,922	2,304	1,130	1,174
The return-to-work rates of employees who took parental leave (%)	98.8	98.5	99.1	98.4	99.0	97.9

Parental leave data for the geographic areas indicated above correspond to information provided by Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay, Venezuela, Chile, Bolivia, Portugal and Switzerland.

The retention rate of employees who took parental leave in 2023 in the Group was 89%, being 90% for men and 87% for women (in 2022, these figures were 87%, 88% and 85% respectively).

In addition, BBVA offers its employees the possibility of taking certain leaves of absence to care for family members for health reasons, with varying degrees of coverage depending on the particularities of local legislation and public systems. For example, in the case of Spain there is a range of licenses/exemptions that can be used for this purpose with different levels of remuneration, as well as specific financial support.

Freedom of association and representation

In accordance with the different regulations in force in the countries in which BBVA operates, the labor conditions and rights of employees, such as freedom of association and union representation, are set forth in regulations, collective bargaining agreements and agreements entered into, where applicable, with the corresponding workers' representatives. Dialogue and negotiation are part of the Group's way of dealing with any differences or conflicts, for which there are specific procedures for consultation with union representatives in the different countries, including occupational health and safety aspects.

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 provided for in the legislation in force. The banking industry collective agreement is applied to the 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. All persons have the right to freely join trade unions and to engage in trade union activity, and any rule or decision that entails any type of discrimination on the grounds of membership or not of a trade union, or the exercise of trade union activities in general, is null.

In Mexico and Peru, the collective bargaining agreement ('Convenio Colectivo de Trabajo') regulates the working conditions of 100% of unionized workers. In 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 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, including Senior Management. Both groups of employees maintain a fluid and direct dialogue with the Bank.

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

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 as a basic principle that is addressed through the continuous improvement of working conditions.

Occupational risk prevention

The Group's occupational risk prevention model is regulated by local regulations, agreements and conventions in the geographical areas in which BBVA operates. In all cases, employees have the right to consultation and participation in these areas, which are exercised and developed through union representation or the interest groups in the different existing committees.

BBVA's Occupational Risk Prevention Management System identifies and evaluates risks, establishes criteria, methods and resources to ensure the effectiveness of the management system, analyzes the results obtained and implements actions to improve processes and the system. This Occupational Risk Prevention Management System is compliant with the requirements of OSHAS 18001:2007 and many geographies are certified in accordance with ISO 45001, which takes a proactive approach to risk assessment.

As a cornerstone of this system, BBVA has an occupational risk prevention plan that integrates the company's preventive activity into its general management system and establishes its occupational risk prevention policy, which is implemented in an annual plan with specific objectives for action in this area. The actions by BBVA include: occupational risk assessments; specific evaluations of psychosocial risks; evaluations of particularly sensitive personnel and pregnant women; specific technical reports; training and information for workers; preparation and implementation of self-protection plans and emergency manuals; safety inspections, investigation and reporting of accidents; actions for the coordination of business activities in construction works and services; health surveillance through medical check-ups; preventive health campaigns as well as health examination satisfaction surveys.

Likewise, there is an emergency Action Plan that includes guidelines for dealing with possible emergencies, determines the people who are- organized and trained- to guarantee speed and efficiency in the actions to be taken, and provides information to all users of the facilities on how to act in the event of an emergency, and can also guarantee the necessary relations for coordination with external services.

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. BBVA is also responsible for preparing and implementing emergency and evacuation plans, as well as safety training. In addition, BBVA also carries out continuous coordination of business activities (CAE for its acronym in Spanish) with the companies and their external personnel that work in the Group's work centers with the support of a document exchange platform, establishing different procedures 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; evaluate medical records; adapt workplaces with specific ergonomic material; develop health and well-being programs with the aim of promoting healthy lifestyle habits and a preventive culture within BBVA.

In Spain, BBVA is governed by the Occupational Risk Prevention Act or the collective bargaining agreement on occupational health for the consultation and participation of workers in matters of occupational risk prevention. There are preventive policies that affect the 100% of the workforce of all the companies and which are carried out by the Occupational Risk Prevention Service, as well as a collective bargaining agreement that defines the instruments for employee participation in this matter. Likewise, the corresponding governing bodies are in place for its proper management: a State Health and Safety Committee, Health and Safety Committees of Large Centers and Territorial Prevention Delegates, which meet on a quarterly basis.

The Prevention Service of BBVA, S.A. in Spain monitors the measures implemented. At the same time, and with the objective that prevention is integrated into the set of activities and at all hierarchical levels, the Bank has a periodic verification of the system, carried out by an independent auditor, in which a systematic, documented evaluation is carried out. and objective evaluation of the effectiveness of the occupational risk prevention system, with the results being favorable and highly qualified.

OPPlus in Spain also has a preventive policy that affects 100% of the workforce and is managed through a mixed model, consisting of its own Occupational Risk Prevention Service, with the specialties of Occupational Safety and Ergonomics and Psychosociology, and an external Prevention Service with the company Quirón Prevención, with the specialties of Health Surveillance and Industrial Hygiene.

In Mexico, the Legal Framework of the Occupational Health and Safety Management System is established in the Mexican Constitution, where the guiding principle is to safeguard occupational health and safety. From this constitutional precept, the Federal Labor Law, the Regulations and the Official Mexican Standards are derived as its Regulatory Law, which make up the legal framework in matters of Health and Safety for the benefit of workers. The scope of application of the Health and Safety management system is 100% of the workers, and of the work centers at its disposal. In addition to the Health and Safety Committee, BBVA has a Committee whose purpose is to analyze the various medical cases of prolonged incapacity or possible disability.

In Turkey, in accordance with legal requirements, quarterly Health and Safety Committee meetings are held at all sites with more than 50 employees. This committee is responsible for all matters related to the health and safety of workers, making its decisions by vote, with the participation of workers' representatives. The occupational health and safety management system is implemented within the framework of national law 6331 on Occupational Health and Safety, and international standards such as ISO 45001 (except in Turkey, where this certification is not available).

In Peru there is a Joint Occupational Health and Safety Committee that meets on a monthly basis. The responsibilities are described in the national legislation in relation to the approval of the evaluation of the Occupational Safety and Health (OSH) policy and Internal OSH Regulations.

Colombia has an Occupational Health and Safety Joint Committee in compliance with Colombian law. The Committee meets on a monthly or extraordinary basis and addresses different topics focused on the Occupational Health and Safety Management System, including the promotion of workers' health and safety, prevention of occupational accidents, occupational diseases, and other matters. The election of the committee is carried out by means of an open and public vote, which guarantees the participation of all employees.

Argentina has a Committee and a preventive policy that affects 100% of the workforce, structured along two lines of action: Hygiene and Safety (evaluation of occupational risks and follow-up of action plans, among others) and Occupational Health (medical reports, adaptation of work stations and preventive campaigns). In 2023, the company obtained ISO 45001 certification for occupational health and safety.

In Venezuela there is an Occupational Health and Safety Committee, a joint and collegiate participatory body for regular consultation on occupational health and safety policies, programs and actions. One of the responsibilities of this committee is to approve the Occupational Health and Safety Program, monitor health and safety conditions, as well as to be directly aware of the situation regarding the prevention of occupational diseases, occupational illnesses and promote the company's health.

In Chile, the Health and Safety Joint Committee is a labor participation body whose main objective is to promote and watch over the safety and health of workers in the workplace. Its function is to identify and prevent occupational hazards, propose safety measures, and collaborate in the implementation of policies and programs for the prevention of occupational accidents and diseases. Committee sessions are held quarterly or at the request of committee members. It is composed of 3 company representatives and 3 employee representatives.

In Uruguay, BBVA also has a labor welfare and working conditions committee that responds to local needs.

Employee training in occupational safety and health

In coordination with the Training area, the Group plans different training actions in the area of Occupational Risk Prevention to raise awareness and provide employees with the necessary knowledge they need to perform their work. Online courses are available for all the workforce through the E-Campus platform and on-site courses are given by trainers from external entities who are highly specialized, with specialists from the Prevention Service also taking part in the training of some groups.

The BBVA Occupational Risk Prevention Training Plan includes courses such as: training in safety, health and well-being at work; first aid courses; defibrillator handling courses in centers that have them, psychosocial courses (Personal Risk Situations for new employees, initial support and hold-up protocol); specific emergency training courses for emergency teams; Contingency exercises for emergency management and practical fire courses for Personal Protective Equipment (PPE) and emergency management; road safety courses; CAE training for supervisors of external personnel.¨

In addition, a wide range of health and wellness training is available to all Group employees, both online and in person, including workshops and courses on sleep hygiene, emotional management, musculoskeletal prevention and healthy eating, among others.

Occupational health

Health check-ups

The BBVA Group carries out medical check-ups for its employees to ensure their health and well-being, in accordance with local regulations in force.

In 2023, for BBVA, S.A., more than 10,000 people were scheduled for medical examinations. In addition,ergonomic procedures have been carried out to adapt the workplace to the worker's pathology and more than 150 requests made by pregnant employees have been medically and ergonomically assessed.Medical and nursing care appointments are managed online to accommodate new flexible ways of working and allow for a more efficient management of services.

Health and well-being program

BBVA's Health and Well-being program is made up of two main lines of action: Work Better and Enjoy life, and under the motto "You Move Us", where a set of initiatives are coordinated aimed at caring for the people who are part of BBVA, with the focus on empowering them to be the protagonists of their own health.

The "Work Better" axis fosters a culture based on commitment, trust and respect for the time of others to achieve the best productivity and efficiency and optimal use of working time. Digital disconnection, work flexibility, active listening and efficient meetings are promoted.

The "Enjoy Life" axis focuses on the integral health and well-being of the workforce, in line with the 2030 Agenda of the United Nations and the WHO, and has been implemented through two main pillars:

- Mind (mental health / stress management): informative conferences have been held with the participation of more than 10,000 employees, workshops and courses on emotional management, and a psychological support program has been implemented for employees and their family members, and were well received by the employees. Workshops have been held for anxiety management, support for digital disconnection, on positive psychology, mindfulness, book club, knitting, etc. In addition, adequate sleep hygiene has been promoted among employees through conferences, courses, workshops and sleep studies.
- Body: awareness campaigns have been carried out with renowned speakers on cancer prevention, food and nutrition, prevention of neurodegenerative diseases, migraine in the workplace, diabetes prevention, flu and covid vaccination, etc., with special emphasis on the celebration of World Health Days.

In addition, in each of the countries, the initiatives have been complemented by local programs:

- In Spain: genetic study of hereditary cardiovascular diseases, detecting four cases of positive cardiovascular mutation; colon cancer prevention program, detecting one cancer at an incipient stage and six premalignant lesions; and skin cancer prevention through a dermatoscopic study, detecting five malignant lesions and two premalignant lesions. In addition, permanent preventive campaigns on the control of modifiable cardiovascular risk factors (stopping smoking, controlling high blood pressure, diabetes, obesity, etc.), stroke prevention, donation campaigns and flu vaccination are maintained.
- In Mexico, in addition to medical check-ups, a comprehensive health program was carried out, with the participation of 12,000 employees in a survey that assessed eating habits, sleep quality, mental health and smoking. With the data obtained, initiatives have been implemented such as: personalized recommendations on the results of the survey, healthy snacks and menus, free classes to promote physical exercise at the headquarters, visual health campaigns with the possibility of purchasing glasses at a preferential cost.
- In Peru, different campaigns are organized, such as influenza vaccination, psychological first aid, blood donation or prevention of chronic diseases.
- In Colombia, there are training campaigns related to self-care and general health care, the work environment, care related to remote working, prevention of accidents at work, hand gymnastics, as well as mindfulness sessions and support for pregnant and breastfeeding mothers.
- In Argentina, we support employees in acquiring healthy habits through dietary talks, nutritional consultations and healthy breaks during the workday. Also, with a focus on emotional health, training has been provided in psychological first aid and to raise awareness about stress and anxiety.
- In Venezuela, there is a comprehensive health center and an education and training program related to healthy nutritional habits, emotional management (including stress control, enhancing balance, emotional self-control, mental health care), prevention of harassment at work, and active breaks.
- Chile has a well-being program that incorporates physical, emotional, financial, developmental and social aspects.
- In Portugal, there are mandatory e-learning courses on occupational health and safety.

Training and Information platforms available to BBVA Group employees

There are two platforms available to all employees for the dissemination of content related to health and well-being, demonstrating BBVA's commitment to promoting health and safety at work:

- On the Work Better / Enjoy life portal where you can find the latest news on health and well-being: current campaigns, conferences and workshops given, upcoming events, most visited resources, etc.
- The Occupational Health Portal that is structured into eight main blocks: 1) healthy work environment (including remote working); 2) healthy life with information on nutrition, physical exercise, sleep hygiene, etc., to lead a healthy life; 3) prevention of pathologies, such as cardiovascular risk, diabetes, eye pathologies, cancer, etc.; 4) procedures to follow in work accidents, medical check-ups, pregnancy, etc.; 5) road safety; 6) "Women, your health is your best gift", with specific preventive information for women at all stage; 7) health conferences; 8) risk assessment and emergency measures. The portal also contains information on first aid and emergency procedures, as well as information on the specific risks associated with remote working and their prevention.

Cardioprotected spaces

BBVA has semiautomatic defibrillators (DESA) in the main work centers in different geographical areas to assist in cardiopulmonary resuscitation in the event of cardiorespiratory arrest, thus forming part of the Cardioprotected spaces. Defibrillator operation and basic life support skills are part of the first aid training integrated into the emergency measures course.

By country, in 2023 and 2022, the following technical and preventive actions were carried out to improve working conditions:

TECHNICAL-PREVENTIVE ACTIONS (BBVA GROUP)	2023	2022
Spain	48,515	62,311
Mexico	46,271	43,314
Colombia	6,761	5,580
Argentina	2,438	2,476
Peru	500	156
Venezuela	219	84
Uruguay	456	471
Turkey	937	483

General note: The data corresponding to the financial year 2023 contain information from more entities than the data reported for 2022.

PREVENTIVE ACTIONS TO IMPROVE WORK CONDITIONS (BBVA GROUP)	2023	2022
Spain	49,137	61,103
Mexico	46,271	43,314
Colombia	6,761	1,898
Argentina	5,246	4,509
Peru	3,413	168
Venezuela	319	59
Uruguay	456	471
Turkey	937	462

General note: The data corresponding to the financial year 2023 contain information from more entities than the data reported for 2022.

Absenteeism data are shown below:

VOLUME AND ABSENTEEISM TYPOLOGY OF EMPLOYEES (BBVA GROUP)	2023			2022		
	Total	Male	Female	Total	Male	Female
Number of withdrawn	32,794	11,224	21,570	42,380	14,350	28,030
Number of absenteeism hours (1)	3,503,164	1,137,753	2,365,411	3,748,259	1,208,512	2,539,747
Number of accidents with medical withdrawn	564	227	337	281	87	194
Frequency index (%) (2)	2.6	2.1	2.9	1.4	0.9	1.9
Severity index (%) (3)	0.1	0.1	0.1	2.6	1.7	3.4
Incidence rate (%) (4)	4.8	4.0	5.5	2.5	1.6	3.2
Absenteeism rate (%) (5)	1.6	1.1	2.1	1.9	1.3	2.5

General note: The data corresponding to the financial year 2023 contain information from more entities than the data reported for 2022.

(1) Total hours of sick leave due to illness or accident during the year.

(2) Frequency of accidents in the workplace (%): number of accidents with sick leave x 1,000,000 / number of hours worked.

(3) Severity index (%): number of working days lost due to work-related accidents x 1000 / divided by number of hours worked.

(4) Incidence rate (%): number of accidents with sick leave x 1,000 / divided by number of workers.

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

Work-related injuries

In the Group, a total of 564 work accidents with medical leave were recorded in 2023, (281 in 2022) with 2 deaths (none in 2022).

WORK-RELARED INJURIES BY GENDER (BBVA S.A.)	2023			2022
	Total	Male	Female	Total
Work-related accidents (number)	266	91	175	89
Severity index for labor accidents (%)	0.1	0.1	0.2	0.0
Frequency rate (%)	2.7	1.8	3.6	0.8

In BBVA S.A. in Spain, a total of 266 work-related accidents were recorded in 2023 (89 in 2022), of which 99 were with sick leave (27 in 2022) and 167 without sick leave (62 in 2022), Most of the accidents occurred outside the workplace (in itinere / on the move). In the case of accidents in the work environment, most of them resulted from uncoordinated movements, falls of a person to the same level, and falls to a different level.

The BBVA Group did not record any cases of occupational disease among internal personnel.

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 (which applies to both non-executive and executive directors), both designed within the framework of the specific regulations applicable to credit institutions, considering the best practices and recommendations in remuneration matters both locally and internationally (the "Remuneration Policies").

The Remuneration Policy for BBVA Directors applicable during the years 2023, 2024, 2025 and 2026 was approved by the General Shareholders' Meeting held on March 17, 2023. For its part, the Board of Directors, at the proposal of the Commission of Remuneration, also approved in March 2023, a new update of the General Remuneration Policy of the BBVA Group that is applicable to remuneration for the 2023 financial year and onwards. Both policies are the result of the reflection carried out in 2022 on the Remuneration Policies, with special focus on the variable remuneration model of executive directors and the rest of the employees whose professional activities significantly affect the risk profile (the "Identified Group"), with the fundamental objective of strengthening the alignment of the remuneration of this group with the creation of value, long-term sustainable performance and adequate and effective risk management.

These Policies incorporate, as the main novelty, a change in the Annual Variable Remuneration scheme associated with the corporate model of the executive directors and the rest of the Identified Group, which, as of fiscal year 2023, has become composed of an Short-Term Incentive and a Long-Term Incentive.

Both Remuneration 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. They 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 and are based on the following principles: long-term value creation; the achievement of results based on prudent and responsible risk-taking; attracting and retaining the best professionals; rewarding the level of responsibility and professional career; ensuring internal equity and external competitiveness and equal pay for men and women; encouraging responsible conduct and fair treatment of customers, as well as avoiding conflicts of interest; and ensuring the transparency of the remuneration model.

These principles are specified in that the Policies:

- They contribute to the BBVA Group's business strategy, and to the achievement of its objectives, values and interests, as well as to the creation of value and long-term sustainability.
- They are compatible with and promote prudent and effective risk management, and do not offer incentives to assume risks that exceed the level tolerated by the Group, in a manner consistent with the BBVA Group's risk strategy and culture.
- They are clear, 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 and variable remuneration and are transparent as regards the setting of objectives and parameters for their calculation.
- They include a competitive remuneration system, with the aim of attracting and retaining the best professionals and adequately rewarding the functions performed.
- 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, promoting the independence of criteria of the persons involved in decision making, in the supervision and control of management and in the establishment of remuneration systems, incorporating predetermined calculation rules that avoid discretion in their application.
- They seek to ensure that remuneration is not based exclusively or primarily on quantitative criteria, taking into account adequate qualitative criteria, which reflect compliance with applicable rules.

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

- A fixed remuneration takes into account the level of responsibility, the functions performed and the professional trajectory of each employee, the principles of internal equity and the value of the function in the market, constituting a relevant part of the total remuneration. The vesting and the amount of the fixed remuneration are based on objective predetermined and non-discretionary criteria.
- 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 shall be linked, in general, to the achievement of previously established objectives and shall include both the annual variable remuneration corresponding to the corporate model (defined below) and, if applicable, other variable incentive schemes and any other variable component that the BBVA Group may grant to its personnel or to certain groups of employees at any given time.

As established in the Group's General Remuneration Policy, BBVA has a corporate model of variable remuneration which, in general, is applicable to the entire workforce, depending on their functions, consisting of the award of an incentive that reflects performance measured through the fulfillment of objectives associated with Group, Area and Individual financial and non-financial indicators, measured on an annual basis. These indicators take into account the strategic priorities defined by the Group as well as current and future risks and serve as management parameters to determine the payment of annual variable remuneration based on the degree of compliance with BBVA's strategy.

In 2023, the level of achievement of the Group's annual scope indicators (short-term component of Annual Variable Remuneration) was 126% (129% in 2022), based on the results obtained from each of the financial and non-financial indicators. The level of achievement of the Group's annual financial indicators for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (MEASUREMENT PERIOD 2023) (BBVA GROUP) - ANNUAL FINANCIAL INDICATORS

	2023				2022			
Annual Financial Indicators	**Weight (1)**	**Goal**	**Result (2)**	**Level of attainment**	**Weight (3)**	**Goal (4)**	**Result (2)**	**Level of attainment**
Attributed result	20 %	7,124 mill. €	8.019 mill. €	138 %	10 %	4,661 mill. €	6,381 mill. €	150 %
RORC	20 %	16.55 %	18.06 %	123 %	10 %	12.56 %	15.26 %	150 %
Efficiency ratio	20 %	44.13 %	41.66 %	137 %	10 %	45.33 %	43.23 %	131 %
Tangible book value per share (TBV per share) (5)	n.a.	n.a.	n.a.	n.a.	10 %	7.28 €	7.64 €	115 %
Gross margin	n.a.	n.a.	n.a.	n.a.	10 %	20,182 mill €	24,890 mill. €	150 %

n.a.: not applicable.

(1) Weights set for the 2023 Annual Variable Remuneration of the BBVA Group staff, including executive directors.

(2) Results approved for incentive purposes. In the case of AVR 2022, they do not include the impact generated by the Turkish takeover bid or by the BBVA office repurchase operation in Spain.

(3) Weights set for the 2022 Annual Variable Remuneration of the BBVA Group staff, excluding executive directors.

(4) The 2022 targets were set above the analyst consensus at the time and were in line with the existing economic outlook.

(5) In the case of TBV per share, there are two objectives: 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 was EUR 6.80 per share.

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

ANNUAL VARIABLE REMUNERATION (MEASUREMENT PERIOD 2023) (BBVA GROUP) - ANNUAL NON-FINANCIAL INDICATORS

	2023				2022			
Annual Non-financial Indicators	**Weight (1)**	**Goal (2)**	**Result**	**Level of attainment**	**Weight (3)**	**Goal (2)**	**Result**	**Level of attainment**
Net Recommendation Score (NRS)	15%	100%	109 %	109 %	10%	100%	108%	108%
Mobilization of sustainable financing (4)	10%	55,004 mill. €	68,218 mill. €	150 %	10%	32,146 mill. €	40,643 mill. €	150%
Target customers	15%	100%	98 %	98 %	10%	100%	111%	111%
Digital sales	n.a.	n.a.	n.a.	n.a.	10%	100%	110%	110%
Transactional engagement of corporate clients	n.a.	n.a.	n.a.	n.a.	10%	100%	112%	112%

n.a.: not applicable.

(1) Weights set for the 2023 Annual Variable Remuneration of the BBVA Group staff, including executive directors.

(2) For the indicators IReNe, Target Customers and Digital Sales, objectives have been established at the country level. The Group achievement for these indicators is calculated as the average weighted by the net margin of the achievements obtained by the countries.

(3) Weights set for the 2022 Annual Variable Remuneration of the BBVA Group staff, excluding executive directors.

(4) In 2023, this indicator incorporates the sustainable business channeling related to inclusive growth, which in 2022 was not included for incentive purposes. On the other hand, the result of the "2025 Goal" announced by the Bank for channeling sustainable business does not coincide with the result for incentive purposes, since the latter does not take into account the activity of the BBVA Microfinance Foundation.

As indicated previously, in the case of the members of the identified staff, including executive directors and the rest of BBVA's senior management, their annual variable remuneration includes a short-term incentive, calculated on the basis of the same annual Group-wide indicators described above, and in addition a long-term incentive. The long-term incentive will be calculated on the basis of the result of a series of multi-year indicators, both financial and non-financial, which will prioritize the creation of value and profitability for the shareholder and for the Group in the long term, as well as the progressive achievement of the goals and objectives assumed by the Bank in terms of sustainability.

The indicators for calculating the long-term incentive include a portfolio decarbonization indicator that will measure the degree of compliance with the decarbonization goals of a series of sectors for which the Bank publishes specific goals, and will therefore be directly related to the BBVA Group's strategic priority of helping customers in the transition to a sustainable future and to the Bank's climate action goals. Additionally, a social indicator is included that will measure the performance of the percentage of women in management positions in the BBVA Group, which is fully aligned with the strategic priority of having the best, most engaged and diverse team, guided by the Bank's purpose and its values and behaviors, and with a talent development model that provides growth opportunities for all.

In particular, the approved indicators for the calculation of the long-term incentive for this group for the 2023 financial year are as follows:

LONG-TERM INDICATORS AVR 2023 [(1)] (BBVA GROUP, PERCENTAGE)

		Peso
Financial Indicators	Tangible Book Value per share (TBV per share)	40%
	Relative Total Shareholder Return (Relative TSR)	40%
Non-financial Indicators	Decarbonization of the portfolio	15%
	Percentage of women in Management positions	5%

[(1)] Measurement as of December 31, 2026, taking into account the evolution of these indicators since January 1, 2023.

For more information on the long-term indicators, see also the Annual Report on Remuneration of BBVA Directors.

Average remuneration

The following tables show the average remuneration of BBVA Group employees as a whole and, individually, of BBVA, S.A. employees located in Spain, and of 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)

	2023			2022		
	Management team [(2)]	Managers	Rest of employees	Management team [(2)]	Managers	Rest of employees
< 30 years						
Male	79,593	23,543	16,082	55,196	18,279	13,166
Female	57,127	18,716	12,940	36,301	14,552	10,573
30-39 years						
Male	91,026	34,206	19,739	78,101	28,950	17,614
Female	74,746	26,429	16,754	63,681	22,183	15,048
40-49 years						
Male	120,250	45,033	27,647	107,421	42,350	26,318
Female	96,522	37,656	27,682	88,656	34,659	27,110
≥ 50 years						
Male	170,432	54,883	34,576	161,854	51,433	33,969
Female	120,719	47,473	33,800	110,902	43,430	32,525

General note: The data for 2022 differ from those published in the 2022 Consolidated Non-Financial Information Statement due to a change in the criteria for the remuneration considered. From 2023 onwards, in addition to the fixed remuneration, the salary supplements that were not included until now, with the exception of mobility, housing and expatriation allowances, will be taken into account. This represents 99% of the total fixed remuneration.

[(1)] Includes fixed remuneration and salary supplements (except for mobility, housing and expatriation allowances).

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

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

	2023			2022		
	Management team[2]	Middle controls	Rest of employees	Management team [2]	Middle controls	Rest of employees
Spain (BBVA,S.A.)						
Male	142,187	57,124	43,519	135,316	54,482	42,744
Female	113,323	51,985	41,795	111,511	49,895	40,426
Mexico						
Male	140,740	35,969	16,457	119,110	29,011	13,033
Female	104,911	32,328	15,019	86,293	25,707	11,968
Turkey						
Male	95,371	22,026	18,654	79,775	19,255	15,697
Female	67,941	18,149	16,445	61,921	15,331	13,839
Colombia						
Male	108,287	35,314	16,923	79,793	24,539	11,621
Female	73,094	30,093	15,087	49,603	21,123	10,388
Peru						
Male	107,538	27,500	15,716	100,661	26,520	15,024
Female	70,683	22,132	11,242	65,160	21,448	10,660
Argentina						
Male	63,006	24,086	15,583	109,876	39,234	25,542
Female	55,834	20,140	13,616	76,037	32,926	22,275
Venezuela						
Male	17,083	1,377	913	15,497	988	694
Female	18,993	1,278	840	16,657	878	630
Chile						
Male	118,689	36,592	13,737	112,943	36,860	14,149
Female	81,717	27,999	10,467	81,214	28,190	10,962
Uruguay						
Male	175,750	96,390	74,966	168,577	92,894	73,779
Female	153,201	81,654	70,491	149,600	76,069	67,172

General note: The data for 2022 differ from those published in the 2022 Consolidated Non-Financial Information Statement due to a change in the criteria for the remuneration considered. From 2023 onwards, in addition to the fixed remuneration, the salary supplements that were not included until now, with the exception of mobility, housing and expatriation allowances, will be taken into account. This represents 99% of the total fixed remuneration.

[1] Includes fixed remuneration and salary supplements (except for mobility, housing and expatriation allowances).

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

The differences observed in the average remuneration of some professional categories derive from their varied composition and other factors such as seniority in the entity or in the position. The average remuneration of each category is influenced by aspects such as the different distribution of men and women in the highest paid positions or the higher proportion of women in countries with lower average remuneration.

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 (average compensation data are expressed in current euros), which has been lower than the inflation rate in most of the Group's geographic areas, and has even appreciated in countries such as Mexico and Colombia.

In the case of executive directors and other members of BBVA Senior Management who held their positions on December 31, 2023, 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 compensation of BBVA's senior management (excluding executive directors) in 2023 was 2.437 thousand euros for men (2,185 thousand euros in 2022) and 1,981 thousand euros for women (1,841 thousand euros in 2022).

Wage gap

Remuneration Policies are gender neutral, reflecting equal remuneration for the same functions or functions of equal value, and do not differentiate or discriminate on the basis 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.

This model defines a number of positions on which remuneration is based. Each of these positions has a unique theoretical value depending on different factors, such as the level of responsibility, the complexity of the function, the impact on results, and so on. 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 positions described above, BBVA calculates the average total remuneration received by all the men and women who occupy these positions. BBVA calculates the job-adjusted salary gap as the percentage resulting from dividing the difference of the average of men's salaries minus the average of women's salaries by the average of men's salaries. BBVA Group's adjusted salary gap is calculated as the weighted average of the gaps obtained in each of the positions.

Total remuneration includes fixed remuneration and target annual variable remuneration (target bonus) linked to objectives. BBVA does not include in its calculation elements such as per diems, social benefits, etc., the amount of which is very unrepresentative of total employee remuneration, and whose award criteria and amounts are clearly defined and do not discriminate between men and women.

Based on data for 2023 and 2022, the adjusted salary gap is as follows[49]:

WAGE GAP (PERCENTAGE)

	2023	2022
Spain (BBVA,S.A.)	2.1	3.6
Mexico	(0.7)	(0.6)
Turkey	0.3	(0.1)
Colombia	1.2	0.6
Peru	1.4	1.1
Argentina	4.2	3.0
Venezuela	0.4	(1.2)
Chile	(1.4)	(0.5)
Uruguay	2.4	1.8
BBVA Group	**0.5**	**0.7**

General note: The adjusted gap calculation includes 90.9% of the Group's employees. The remaining employees cannot be included in the calculation because they are associated with positions in which there is no representation of both sexes.

[49] 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 Group's real situation.

Additional information related to remuneration

Annual total compensation ratio

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

The annual total remuneration ratios for 2023 and 2022 are as follows:

ANNUAL TOTAL COMPENSATION RATIO

	2023	2022 [1]
Spain (BBVA, S.A.)	126.0	130.9
Mexico	252.1	259.5
Turkey	208.2	224.7
Colombia	89.2	116.8
Peru	125.4	113.5
Argentina	83.0	76.3
Chile	108.7	90.4
Uruguay	8.1	7.0

[1] The data for 2022 differ from those published in the 2022 Consolidated Non-Financial Information Statement as the amount of variable compensation 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 geographic areas which each employee has a right to be remunerated for services rendered. This minimum salary has been assumed as the Living Wage by the international UN body, the International Labor Organization (ILO).

BBVA calculates the standard entry level wage ratio as the quotient of the entry level wage between the minimum wage in the geography.

As shown in the table below, in the main geographic areas where the Group operates, BBVA's entry-level compensation is higher than the local legal minimum wage in the 2023 and 2022 financial years:

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

	2023		2022	
	Male	Female	Male	Female
Spain (BBVA, S.A.)	1.3	1.3	1.3	1.3
Mexico	1.1	1.1	1.2	1.2
Turkey	1.5	1.5	1.6	1.6
Colombia	2.3	2.3	2.3	2.3
Peru	1.5	1.5	1.3	1.3
Argentina	4.3	4.3	3.8	3.8
Venezuela [1]	6.3	6.3	2.3	2.3
Chile	1.1	1.1	1.3	1.3
Uruguay	3.2	3.2	3.3	3.3

[1] 2022 data differ from those published in the 2022 Statement of Non-Financial Information due to additional updates and checks.

Pensions and other benefits

BBVA has social welfare systems that are differentiated according to geographical areas and coverage offered to different groups of employees, with no differences based on gender or any other type of personal circumstances. 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.

As for other benefits, the Group contemplates a local application framework, according to which each entity (in accordance with its sector of activity and the geographic area in which it operates) has a package of benefits for employees within its specific compensation scheme, without applying differences based on gender or any other type of personal differences.

In 2023, in Spain the Bank made a payment of 23.1 million euros (21.2 million euros in 2022) for savings contributions to pension plans and life and accident insurance premiums, of which 11.9 million euros related to contributions to men and 11.1 million euros to that of women (in 2022, 11.3 million euros and 9.8 million euros, respectively). On average, the contribution received by each employee is 1.095 euros in the year (1,179 euros for men and 1,017 euros for women) compared to 1,032 euros in 2022 (1,143 euros for men and 927 euros for women).

2.3.4 Suppliers

BBVA provides complete and transparent information to its suppliers in the procurement processes, ensuring compliance with the legal framework in force in all areas, including: tax, labor and environmental matters, human rights, and stimulating the 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. It also 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 (among other matters, those related to anti-corruption), 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. The clauses of the contracts include the supplier's obligation to comply with the provisions of the BBVA Group's Code of Conduct and Code of Ethics for Suppliers in force at any given time.

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 contracts with suppliers, thus ensuring compliance with regulations and processes and incorporating sustainability in the Group's procurement 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 2023 and 2022:

ESSENTIAL DATA ABOUT THIRD PARTIES (BBVA GROUP)

	2023	2022
Number of third parties [(1)]	3,956	3,548
Volume provided by third parties (millions of euros) [(1)]	7,862	6,292
Suppliers satisfaction index [(2)]	84	n.a.
Number of evaluated suppliers [(3)]	4,486	4,536

General note: A third party is a natural or legal person with whom there is a payment obligation. Supplier is a third party with whom the BBVA Group maintains a contractual relationship for the supply of goods and services.

General note: excludes Turkey.

n.a.: not applicable.

[(1)] The figure includes payments made to third parties for amounts in excess of EUR 100,000.

[(2)] Obtained based on the results of a satisfaction survey carried out every 2 years on the Bank's suppliers with more than EUR 10,000 in awards and EUR 100,000 in turnover. It is calculated as the average of the responses to the question: “Would you recommend working with the BBVA Group Purchasing Department to a friend or family member?", base 100.

[(3)] In 2023, the figure includes suppliers with materiality of more than 12.100 euros (taxes included) evaluated within the GPS from: Spain, Mexico, Argentina, Colombia, Peru, Uruguay and Venezuela. Of a total of 4,886 suppliers evaluated: 4,486, 98% were deemed suitable and 105, 2%, were deemed unsuitable, with whom work is either stopped immediately or an exit plan is established, whenever possible, with a migration period 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.

The BBVA Group's supplier evaluation process covers the review of several key aspects including financial, legal, labor, reputational, anti-corruption and anti-money laundering measures, concentration and country risks, sustainability, data protection and customer protection. The analysis of these aspects is aimed at mitigating potential risks in contracting with third parties, as well as verifying that they comply with their legal obligations, in turn allowing them to promote their civic responsibilities and validate that they share the same values as the Group in terms of social responsibility.

In 2023, BBVA implemented a sustainability module as part of the supplier evaluation process. The module covers a broad spectrum of sustainability aspects evaluated: (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. During 2023, the model has been calibrated to adjust it to the different types of suppliers that the Group has.

Supplier evaluation is reviewed periodically and is subject to continuous monitoring. As of December 31, 2023, the percentage of contract awards made to evaluated suppliers reached 99,2%.

As of December 31, 2023, 95.7% of the total number of BBVA third parties (representing 89.6% 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.

Finally, it is worth noting that in fiscal 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 was audited with a favorable result and the recommendations fully implemented in 2022.

The following tables contain other information related to suppliers at the end of 2023 and 2022:

NUMBER OF THIRD PARTIES AND ANNUAL TURNOVER BY COUNTRY

	2023 (1)		2022	
	Number of third parties	Annual turnover (millions of euros)	Number of third parties	Annual turnover (millions of euros)
Spain	1,058	2,674	1,033	2,408
Mexico	1,674	3,771	1,335	2,765
Argentina	383	539	393	387
Chile	74	69	73	56
Colombia	227	291	220	243
Peru	361	403	347	336
Venezuela	68	46	51	43
Uruguay	67	48	51	35
Portugal	44	21	45	19
Total	**3,956**	**7,862**	**3,548**	**6,292**
Total third parties (2)				
Spain	21,575	2,773	23,473	2,514
Mexico	6,833	3,889	6,275	2,876
Argentina	1,552	561	1,621	412
Chile	361	74	353	61
Colombia	1,525	311	1,531	262
Peru	1,922	427	1,931	359
Venezuela	433	51	406	47
Uruguay	617	55	564	44
Portugal	452	26	491	24
Total	**35,270**	**8,167**	**36,645**	**6,599**

General note: A third party is a natural or legal person with whom there is a payment obligation. Supplier is a third party with whom the BBVA Group maintains a contractual relationship for the supply of goods and services.

General note: excludes Turkey.

(1) The figure includes payments made to third parties for amounts in excess of EUR 100,000. Payments made to suppliers on manageable accounts with amounts exceeding EUR 100,000, excluding payments to intragroup companies, amounted to EUR 3,914 million.

(2) Including all suppliers, creditors and third parties invoicing to BBVA without a limit to the amount.

2.3.5 Commitment to Human Rights

BBVA supports respect for internationally recognized human rights and this is reflected in the relationships that it establishes with its customers, suppliers, employees and the communities in which it conducts its business and activities.

This support is framed within the Group's General Sustainability Policy and is aligned with its Code of Conduct. It also takes the United Nations Guiding Principles on Business and Human Rights as a point of reference.

Since 2022, BBVA has adopted an active role within the ambit of future EU legal initiatives. Within the framework of its participation in the Working Groups on Sustainable Finance of the European Banking Federation (EBF), in the European Financial Markets Association and in the European Financial Services Roundtable, BBVA contributes to the development of sectorial positions on various community initiatives. We played an important role of dialogue and accompaniment with the European regulator in relation to the proposed directive on corporate due diligence in sustainability matters. BBVA also forms part of the EBF advisory group on diversity and inclusion.

BBVA identifies the social and labor risks derived from its activity in the different areas and countries in which it operates in order to manage their possible impacts through processes designed specifically for this purpose, or through already existing processes which integrate the human rights perspective. For additional information on the Equator Principles, see section "2.1.4. Dialogue and discussion with customers, industry and the public sector" of this report.

Furthermore, the methodology for assessing BBVA's reputational risk mentioned in section "4.7 Reputational risk" in chapter "4. Risk management".

Due diligence procedure

Since 2018, BBVA has been conducting global human rights due diligence processes to prevent, mitigate and remediate potential human rights impacts in line with the UN Guiding Principles on Business and Human Rights. The main objectives of this exercise were:

- Update and inclusion of new topics with respect to the previous year.
- Assessment of the adequacy of grievance mechanisms and measures to manage these risks (according to the UN Guiding Principles on Business).
- Renewal of the Action Plan on Human Rights to prevent and/or mitigate potential negative impacts.
- 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 section "4.6 Operational risk" in chapter "4. Risk Management" of this report.

In 2018 and 2021, global due diligence processes were replicated in Spain, Mexico, Turkey, Argentina, Colombia, Peru, Uruguay and Venezuela. In 2021, each country prioritized the issues with the highest impact and frequency based on the country's social and governmental practices and interviews with management areas and global risk control specialists, and as a result, each country developed its own action plan. To ensure an effective follow-up, a semi-annual evaluation of the action plans was carried out at the local level. Strategies adopted to mitigate risks included the strengthening of key procedures at local level in order to implement established global policies, in addition to interviews held with management areas and risk control specialists at global level.

As a mitigation measure, key procedures were strengthened at local level to implement global policies. In addition, it is worth highlighting several specific strategies implemented at the national level, for example; in Peru, the #NoEsNormal Campaign ("ItsNotNormal"), an initiative focused on raising awareness about sexual harassment through informative talks and at the same time, in Spain, a Customer Service Training program was implemented for employees of the branch network.

Identification, assessment and testing

In 2021, based on the topics examined in the previous due diligence review conducted in 2018, and taking into account recommendations, analysts' and investors' expectations, as well as other emerging issues, an internal catalog was developed consisting of 28 issues grouped into 6 thematic areas:

1. Employment conditions.
2. Projects and products: impact on human rights derived from lending activity.
3. Supply chain.
4. Customer wellbeing.
5. Respect for communities.
6. Cross-cutting issues: data protection and the impact of new technologies on human rights.

These 6 aspects cover crucial issues such as forced labor, child labor, freedom of association and collective bargaining, equal pay and discrimination. In addition, for each of the 28 issues, an assessment was made regarding the:

- Inherent risk: based on the severity of the impact and frequency of occurrence of each issue.
- Residual risk: assessing the mitigating aspects available to BBVA to manage each issue. In this phase of identification and assessment, the potential negative impacts on stakeholders were taken into account, such as the employees themselves (with a focus on women), suppliers and subcontractors, customers, and the indigenous population and local communities.

Subsequently, within the framework of the current Non-Financial Risk Model, the global risk control specialists of each issue conducted a comparison of 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

In the course of the year 2023, there was an evaluation of the achievements obtained within the framework of the Human Rights Action Plan for the period 2021-2022. This review not only included an exhaustive analysis of the results achieved, but also an update of the year-end action plans. Of the 25 action plans established for the aforementioned period, 19 of them had a compliance rate of over 75%.

Additionally, in 2023, the Human Rights Action Plan has been updated,[50] comprising a total of 23 action plans grouped into the following main categories:

1. Strategy. During 2023, we have continued to develop the process of integrating the Human Rights due diligence process into the annual Non-Financial Risk (NFR) assessments.
2. Reporting and disclosure. BBVA is strengthening the inclusion of new Human Rights metrics, in line with reporting standards and guidelines (e.g. GRI, SASB, WEF-IBC) and in response to the expectations of ESG analysts.
3. Processes. Action plans were established in each of the 6 thematic areas:
    a. Employment conditions: During 2023, we intensified our support to avoid discrimination among employees. The "I am Female Talent" program was launched to support the professional development of high-potential female employees. Specific plans were implemented by country and area, with quarterly monitoring of global metrics to achieve the public objective of a 35% female presence in management positions by 2024. Similarly, initiatives were launched to promote diversity among employees.
    b. Projects and products: Within the Environmental and Social Framework, BBVA foresees a series of provisions and exclusions in relation to the operations and customers, covered by it, that operate in the following five sectors considering that they have a potential social and environmental impact: mining, agribusiness , energy, infrastructure and defense.
    c. Supply chain: In 2023, the inclusion of the sustainability/ESG module in the procurement processes was consolidated. In addition, the Bank collaborated in a training plan aimed at SME suppliers within the framework of the global sustainability training program, promoted by the UN Global Compact Spain, ICEX and ICO Foundation.
    d. Customer wellbeing: A specialized offer was launched in 2023 to facilitate access to financial products and services for vulnerable groups and communities. This offer is aimed especially at low-income customers, entrepreneurs, young people, women, long-term migrants, people with disabilities and the elderly.
    e. Respect for communities: A sustainable global mobility plan was launched for employees' commuting to their work centers, in order to contribute to reducing the environmental footprint in the locations and local communities where the Group operates. For more information, see the "Management of direct environmental impacts" section of this report.
    f. Cross-cutting issues: During 2023, the integration of human rights criteria was reinforced specifically in Mergers & Acquisitions (M&A) due diligence processes.

Complaint mechanisms[51]

BBVA has a whistleblower channel that allows any stakeholder to report, confidentially and anonymously, if they prefer, any behavior that, according to their point of view, is directly or indirectly related to human rights. In 2023, the complaints received through this channel showed no evidence of human rights violations attributable to Group entities. For more information, see the section "Whistleblower Channel" in section "2.4.1 Compliance and Conduct" of this report.

[50] Human Rights Action Plan 2021-22 and 2023 available on the shareholder and investor website.

[51] 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 the consequences for human rights.

2.3.6 Just Transition

BBVA takes into account that the transition to a low-carbon economy must be just and fair and leaves no one behind, contributing from 3 perspectives: strategy, implementation and involvement with stakeholders.

Strategy

Within the framework of the General Sustainability Policy, BBVA focuses its strategy in this area around two vectors: firstly, the fight against climate change and the protection of natural capital, and secondly, inclusive growth. In this second vector, it is very important to contribute to a just transition, leaving no one behind and bringing the age of opportunity to everyone.

Implementation

At implementation level, the just transition perspective has been integrated into different lines of work:

Product portfolio: in 2023, resources have been mobilized for investments necessary for a just transition (e.g., infrastructure for social purposes), financing has been allocated to strengthen and transform the business fabric to promote inclusive and sustainable economic growth, and credit products (cards, loans and mortgages) have been designed and marketed to individuals who meet the low-income and/or vulnerability thresholds established for each country. For further details regarding the range of inclusive products and services, see the section "Channeling sustainable business - Inclusive growth" in chapter "2.1.3. Sustainability in business development".

In this work line, the activity of the BBVA Microfinance Foundation is significant in relation to its contribution to the mobilization of inclusive growth and in relation to its positive impact on the entrepreneurial ecosystem (see chapter "2.3.1 Society - Community Commitment"). Within the mobilization of inclusive growth for a just transition, it is worth highlighting the loan products created to facilitate the adaptation of small farmers to climate change, such as the loans designed under the Microfinance for Ecosystem-based Adaptation (MEbA) program with German cooperation and the United Nations Environment Program, and those created with the NGO water.org to facilitate access to clean water and adequate sanitation systems. In addition, the Foundation's entities also offer microinsurance to small entrepreneurs to face natural catastrophes and adverse weather risks, including a parametric one against extraordinary weather phenomena (torrential rains, extreme drought, strong winds) and whose payment is automatic when the event is recorded and monitored by satellite without the insured having to make a claim. By the end of 2023, more than 150,000 entrepreneurs with scarce economic resources will have climate insurance.

Some examples stand out, such as BBVA's role as coordinator of a sustainable loan with a Spanish energy company in 2019 for 1,500 million euros aligned with a "just transition", as defined in the Paris Agreement.

Just transition in origination:

- BBVA's Environmental and Social Framework (the Framework) establishes due diligence for new customers and operations covered by the Framework, in order to mitigate environmental and social risks associated with these sectors.
- As a signatory of the Equator Principles, BBVA has reinforced due diligence procedures in place relating to the financing of new projects whose implementation affects indigenous communities. 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. For more information on the application of the Equator Principles in the Groups, see "Equator Principles" under "2.1.4 Dialogue and discussion with customers, industy and the public sector".
- In the Human Rights Action Plan updated in 2023, it is foreseen to include the just transition perspective in the alignment plans of certain key sectors in the transition. For more information about BBVA's work in the field of Human Rights, see the previous section "2.3.5 Commitment to Human Rights".

Stakeholder involvement

BBVA participates in international industry-specific initiatives in support of a just transition, such as the UNEP FI "Social and Human Rights Thematic Advisory Group (TAG)." In addition, it was part of the multi-sectoral working group of CSR Europe (The European Business Network for Corporate Sustainability and Responsibility) for an Inclusive Green Deal.

BBVA also understands the just transition in the framework of the relationship between developed and developing countries. A just transition cannot be undertaken without the inclusion of those economies that are already suffering the most from the impact of climate change and have the greatest financial and institutional challenges to address the transition. BBVA plays a leading role in promoting greater financial support for developing countries and participates in initiatives such as CFLI (Climate Finance Leadership Initiative) in Colombia or the HLEG (High-Level Expert Group on sustainable finance) of the European Commission for the promotion of sustainable finance in low and middle-income countries.

2.3.7 Fiscal contribution and transparency

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

BBVA's guiding principles on fiscal matters

The principles that guide BBVA's tax actions are not removed 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 action are:

- Integrity. in the tax 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 tax 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 we operate.
- 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.
- Achievement of a profitable and sustainable business in the long term. The tax function will provide proactive support to the Group's business areas, taking into account our explicit commitment to the payment of taxes, respect for human rights, prudence in risk management, and a horizon of generating recurring and sustainable results over time.
- Long-term value creation for its stakeholders. The tax function is aware of the impact of its decisions not only for the BBVA Group, but also for society as a whole, and will therefore take into consideration, from a tax perspective, the interests of its different stakeholders.
- Compliance with applicable legislation at all times. This compliance extends not only to the letter but also to the spirit of the rule, refraining from any kind of abuse of the law or any unreasonable interpretation.

BBVA's fiscal strategy

The corporate principles described above are the basis on which the General Policy on BBVA's Tax Strategy is structured, the update of which was approved by the Board of Directors in November 2023, and made public on its website (www.bbva.com).

In summary, BBVA's tax strategy includes:

1. The explicit commitment to paying taxes and complying with the tax obligations, taking into account the environmental, social and corporate governance impacts of tax decisions.
2. The non-use of artificial investment structures, which do not respond to organizational or business reasons, and/or which do not have an adequate economic substance for the activity.
3. Restrictions on possible participation in structures in non-cooperative jurisdictions as defined in the applicable regulations, which must respond to economic reasons other than tax ones; not to seek to obtain tax advantages, or to undermine BBVA's transparency. In any case, the tax code will be applied to them and they will be subject to special control.
4. The performance of reasonable interpretations of tax regulations and double taxation treaties, including in their analysis the previous criteria established by the administration.
5. The establishment of internal transfer pricing rules for all transactions between related parties related entities, governed by the principles of free competition, value creation and assumption of risk and benefits. This excludes any type of circumvention through transfer pricing.
6. Adaptation to the new tax environment and challenges posed by the digitization of the economy.
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. In addition, we actively collaborate in clarifying regulations and reducing conflict.
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.

In the BBVA Group, the Board of Directors is responsible for approving its tax strategy. Although the strategy is intended to be permanent, it is reviewed annually and will be updated when necessary to better express the Group's tax orientation and commitments in tax matters or upon the occurrence of any event that requires its modification.

The strategy is universal in scope and affects all business units and all BBVA employees, regardless of the geographic area in which they are located. It is developed through a set of internal tax rules that are reviewed annually to ensure that they reflect best market practices and are fully aligned with the Group's strategy.

In addition, the Board establishes in this General Policy the guidelines for monitoring compliance .

In compliance with United Kingdom regulations, BBVA makes its tax 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 application of the Code is monitored by the Group's Compliance area and has its own communication and whistle-blowing channel. Accordingly, disciplinary and sanctioning procedures are fully applicable in the event of non-compliance. BBVA communicates and trains all staff in this matter.

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 entity, 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 United States Qualified Intermediary (QI), and the country-by- country report. In 2023, BBVA Group the 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 Group's tax strategy are:

- BEPS compliance.

  This is inspired by the results of the reports of the Base Erosion and Profit Shifting (BEPS) Project promoted by the G20 and the OECD, which aim to align value generation with appropriate taxation where this value is produced. 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.

- It is geared towards sustainability.

  Taxes constitute BBVA's main contribution to the support of public expenses, thus contributing to the development of the societies in which it operates. 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 United Nations' Sustainable Development Goals. 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); and the seventeenth (partnerships for the goals), although BBVA's commitment extends to all of the goals. As such, for BBVA, it is not only a matter of contributing the necessary resources in accordance with current legislation so that the tax authorities can exercise their policies aimed at complying with the SDGs, but also of taking into consideration legitimate public interests in its decision-making process, which implies responsible, compliance-oriented taxation and a proactive attitude of cooperation with the tax authorities.

- 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 committed to human rights and, internally, participates in the due diligence actions for the implementation of the Guiding Principles developed by the Group's Sustainability area, monitoring the performance of the plans it has launched in this regard.

Fiscal risk management and control

The BBVA Group has created a Tax Control Framework that is integrated with the rest of the BBVA Group's control model, and which complies with the requirements for the improvement of Corporate Governance that Law 31/2014 amending the Spanish Corporate Enterprises Act introduced in terms of control and management of tax risk for listed companies.

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, making BBVA the first financial institution in Spain to be certified as compliant following the corresponding AENOR audit.

The BBVA Group's Tax Control Framework is based on its tax 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 the BBVA Group to carry out an integrated management of its tax positions and risks in a manner consistent and in conjunction with other risks.

The BBVA Group's Tax Control Framework is configured around three fundamental lines of action.

1. Specific plans are carried out annually to identify, mitigate and control tax risk within BBVA Group. The tax function has developed BBVA's General Tax Strategy Policy through a set of internal rules and procedures, in which the tax control mechanisms are established.

   Periodically, the Head of the Group's Tax Department informs the Audit Committee of the most relevant tax information, including, among other matters, the real tax rate, the total tax risk, the tax situation in the capital, and the transparency report in which the main criteria used and the main tax decisions adopted with an impact on the Group's financial information are included..
2. Controls for tax 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.

The Tax Control Framework, and in general the development and implementation of the strategy and compliance with the tax code, are based on technological tools that enable an adequate degree of automation, which mitigates operational risks and ensures connectivity with the tax administrations of the jurisdictions in which it operates.

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

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

In accordance with the provisions of the General Policy on the Group's tax strategy approved by the Board, and in the sense established by the UNE19602 standard, the Bank has a tax compliance body in charge of ensuring the correct operation and effectiveness of the tax risk management systems, without prejudice to the functions that by Law correspond to the corporate bodies.

Cooperation with Tax Administrations

As established by the Group's tax strategy, BBVA maintains a cooperative relationship with the tax administrations of the countries in which it operates based on the principles of transparency, mutual trust, good faith and loyalty.

In particular, and with regard to Spain, BBVA 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 an active member) on July 20, 2010. The Group has once again voluntarily submitted the Annual Tax Transparency Report for Companies Adhering to the Code of Best Tax Practices and its Corporate Income Tax declaration for the previous year, which included its performance and proposals to strengthen best practices on tax 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 2023 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 2021 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.

In addition, this year, the branch of its Turkish subsidiary in the Netherlands has voluntarily acceded to that country's cooperative compliance program (Horizontal Monitoring).

Furthermore, BBVA is a collaborating financial institution in the collection processes of the geographic areas that request it. BBVA collaborates in the tax compliance of its customers, provides them with the necessary information for tax compliance, requires them to provide the tax compliance tests required by the regulations, and complies with the reporting provisions set forth in the DAC6 regulations. Under no circumstances does it advise or facilitate tax avoidance structures to its customers.

Finally, in order to obtain legal certainty and ensure that its understanding of 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.

Dialogue with other stakeholders in tax matters and participation in technical tax 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 tax contribution. As a result of this dialogue, BBVA has been incorporating new transparency standards made public in the Total Tax Contribution Report (TTC), 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 the Commitment and Transparency Foundation) with the "t**" seal of tax transparency and responsibility, and its tax strategy has been recognized as best practice in the Best Practices for Good Tax Governance report 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 enabled BBVA to position itself as a benchmark in the tax sphere according to the DJSI, which has awarded in 2023 the highest possible score in tax sustainability for the sixth year in a row. For the first time, the Dutch Association of Investors for Sustainable Development (VBDO) has included BBVA in its benchmark, placing the BBVA Group after its analysis as the first financial institution in fiscal transparency in Europe.

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

Total tax contribution

BBVA is committed to transparency in the payment of taxes and that is the reason why, for yet another year, it voluntarily discloses the total tax contribution in those countries in which it has a significant presence.

BBVA Group's Total Tax Contribution (TTC) 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, this includes both the taxes related to the BBVA Group companies (taxes that represent a cost to said companies and affect their results) and taxes collected on behalf of third parties. The TTC Report provides all stakeholders with the opportunity to understand BBVA's tax payment and represents a forward-looking approach, as well as a commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

GLOBAL TAX CONTRIBUTION (BBVA GROUP. MILLIONS OF EUROS)

	2023	2022
Own taxes	7,668	5,023
Third-party taxes	5,950	5,925
Total tax contribution	**13,618**	**10,948**

Tax information by country

TAX INFORMATION BY COUNTRIES (MILLIONS OF EUROS)

	2023				2022			
	CIT payments cash basis	**CIT expense consol**	**Profit (loss) before CIT**	**Gross margin**	**CIT payments cash basis**	**CIT expense consol (1)**	**Profit (loss) before CIT (1)**	**Gross margin (1)**
Germany	21	4	25	54	19	10	30	45
Argentina	9	120	310	1,041	7	-13	253	1,208
Belgium	1	1	5	8	—	—	2	5
Bolivia	3	1	2	12	3	4	16	33
Brazil	1	—	1	3	—	1	1	3
Chile	8	2	22	153	22	6	49	171
China (2)	16	5	31	70	—	5	34	74
Cyprus	3	4	18	19	3	3	12	14
Colombia	281	23	159	968	123	129	348	1,029
Curaçao	—	—	7	8	—	—	2	5
Spain	825	867	1,978	7,346	549	492	1,281	6,298
United States	68	53	228	184	24	18	67	160
Finland	—	—	—	—	—	—	—	—
France	27	17	79	110	25	13	51	81
Italy	50	32	95	122	11	33	110	84
Japan	—	—	-3	-1	—	—	(1)	—
Malta	5	7	91	95	4	3	41	65
Mexico	2,787	2,001	7,241	13,889	1,141	1,472	5,521	10,239
Netherlands	26	37	139	188	7	14	53	99
Paraguay	—	—	—	—	—	—	—	—
Peru	241	107	540	1,745	222	163	599	1,484
Portugal	9	3	72	153	6	-1	45	103
United Kingdom	19	23	99	194	15	7	60	130
Romania	12	6	34	120	9	8	46	123
Singapore	2	4	26	30	3	3	20	23
Switzerland	7	2	9	49	5	2	9	46
Taiwan	—	—	13	12	—	1	1	9
Turkey	732	649	1,046	2,559	948	1,077	1,486	2,872
Uruguay	38	19	89	257	18	19	49	183
Venezuela	5	16	63	154	2	37	82	157
Total	**5,196**	**4,003**	**12,419**	**29,542**	**3,166**	**3,505**	**10,268**	**24,743**

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) IFRS 17 "Insurance Contracts" replaces IFRS 4 in the accounting treatment of insurance contracts. IFRS 17 is required to be applied as of January 1, 2023, with comparative information of at least one year, that is, from January 1, 2022, so the information referring to the balance of "Corporate tax expense" , "Profit (loss) before corporate tax", and "Gross margin" as of December 31, 2022 have been restated.

(2) Includes Hong Kong and Shanghai branches

The amounts of "Corporate income tax cash payments" are highly conditioned and derive fundamentally from the methodology for calculating the installment payments provided for in the regulations governing corporate income tax in the different geographical areas, producing differences between the installment payments made in the current year and the refund of installment payments from previous years that may result once the definitive 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 income tax cash payments" and "Corporate income tax expense", since 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 the profits obtained in previous years, as well as the installment payments made in the current year and the withholding of input taxes. However, the "Corporate income tax expense" for the current year is more directly related to the pre-tax profit for a given year.

In 2023, the BBVA Group has not received any significant public aid to the financial sector aimed at promoting the development of banking activity. This statement is made for the purposes of the provisions of Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition into Spanish law through Law 10/2014 on the Regulation, Supervision and Solvency of Credit Institutions of 26 June.

In addition, the following information is provided for the main countries where the BBVA Group operates:

TAX INFORMATION BY AREAS 2023 (MILLIONS OF EUROS, NUMBER OF EMPLOYEES)

	Gross margin (1) (2)			Profit (loss) before CIT (2)	CIT payments cash basis	CIT expense consol (2)	Nº employees (3)	Tangible assets other than cash
	Third-parties	Related party	Total					
Argentina	1,041	(1)	1,040	310	9	120	5,585	409
Colombia	968	(10)	958	159	281	23	6,762	133
Spain	6,550	652	7,202	1,978	825	867	26,360	4,954
Mexico	13,825	376	14,201	7,241	2,787	2,001	46,890	2,690
Peru	1,745	(9)	1,736	540	241	107	7,532	399
Turkey	2,476	100	2,576	1,046	732	649	20,452	1,566
Rest of Europe and Asia	1,630	(429)	1,201	733	198	145	2,613	139
Rest of America	1,307	(242)	1,065	412	123	91	3,701	162
Total	**29,542**	**437**	**29,979**	**12,419**	**5,196**	**4,003**	**119,895**	**10,452**

(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) IFRS 17 "Insurance Contracts" replaces IFRS 4 in the accounting treatment of insurance contracts. IFRS 17 is required to be applied as of January 1, 2023, with comparative information of at least one year, that is, from January 1, 2022, so the information referring to the balance of "Corporate tax expense" , "Profit (loss) before corporate tax", and "Gross margin" as of December 31, 2022 have been restated.

(3) Full time employees. The 20 employees of representative offices are not included in the total number.

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

	Gross margin (1) (2)			Profit (loss) before CIT (2)	CIT payments cash basis	CIT expense consol (2)	Nº employees (3)	Tangible assets other than cash
	Third-parties	Related party	Total					
Argentina	1,208	—	1,208	253	7	(13)	5,421	621
Colombia	1,029	(8)	1,021	348	123	129	6,623	92
Spain	6,298	(59)	6,239	1,281	549	492	24,875	5,319
Mexico	10,239	375	10,614	5,521	1,141	1,472	43,500	2,239
Peru	1,484	(10)	1,474	599	222	163	6,516	346
Turkey	2,872	37	2,909	1,486	948	1,077	20,201	1,242
Rest of Europe and Asia	901	(80)	821	515	107	101	2,462	141
Rest of America	714	88	802	266	69	84	3,956	86
Total	**24,743**	**343**	**25,086**	**10,268**	**3,166**	**3,505**	**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) IFRS 17 "Insurance Contracts" replaces IFRS 4 in the accounting treatment of insurance contracts. IFRS 17 is required to be applied as of January 1, 2023, with comparative information of at least one year, that is, from January 1, 2022, so the information referring to the balance of "Corporate tax expense" , "Profit (loss) before corporate tax", and "Gross margin" as of December 31, 2022 have been restated.

(3) Full time employees. The 39 employees of representative offices are not included in the total number.

Banking activity in Spain is carried out fundamentally through BBVA, S.A., which has a double dimension; on the one hand, the head of the banking business in Spain; and on the other, that of the parent entity or Holding of the BBVA Group. The main activity segments developed in Spain include commercial banking, business and corporation banking; and the insurance and Corporate and Investment Banking activities.

In general terms, Spanish companies are integrated into a tax group, constituting for these purposes a single taxpayer in Corporate 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 your effective tax rate to be different.

For these purposes, in fiscal year 2023, its tax rate stands out, higher than 30%, motivated, among others, by the non-deductibility of the temporary tax on credit institutions, the effects derived from the limitation of the exemption of intragroup dividends, or the withholdings borne at source on the aforementioned intragroup dividends from abroad.

In Mexico, the BBVA Group's presence is developed through the BBVA Mexico Group, which is the country's leading financial institution and one of the driving forces of the BBVA Group. Its main activity segments include Commercial Banking and Business Banking, insurance activity and Corporate and Investment Banking..

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%. The most relevant being in 2023, the fiscal adjustment for inflation that contributes to the reduction of said rate.

In Argentina, the Group's presence is developed through BBVA Argentina, one of the country's main financial institutions. Its main activity segments include Commercial Banking and Business Banking, insurance activity and Corporate and Investment Banking.

The nominal tax rate in Argentina is 35%. The fact of being considered a hyperinflationary economy and the consequent restatement of its financial statements generally causes a distortion in the country's fiscal pressure (without prejudice to the application of the fiscal adjustment for inflation), which explains a fiscal pressure of country above its nominal rate.

In Colombia, the presence of the BBVA Group is developed through BBVA Colombia, one of the main financial institutions in the country. Its main activity segments include Commercial Banking and Business Banking, insurance activity and Corporate and Investment Banking.

Following the tax reform that took place in December 2022, the nominal tax rate in Colombia is 40% (financial sector) for the years 2023 to 2027, both included, and 35% for subsequent years. The effective tax rate is lower given that, among other aspects, there are certain effects of a fiscal nature (such as exempt income for social interest loans, as well as some in the insurance field) and accounting that cause the effective tax rate to be different. of the nominal, and it must be taken into account in this exercise that the BAI of the geography has been low and, therefore, the relative weight of certain tax and accounting effects increases.

In Peru, the BBVA Group's operations are conducted through BBVA Peru, one of the country's leading financial institutions. Its main business segments comprise Commercial and SME Banking and Corporate and Investment Banking.

The nominal tax rate in Peru is 29.5% and in the 2023 financial year 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 interest on Treasury bonds).

In Turkey, the Group's activity is mainly conducted through Garanti BBVA Group, of which BBVA is the largest shareholder. Its main business segments comprise commercial and corporate banking, insurance, and corporate and investment banking.

Commencing January 1, 2022, the Group agreed to apply IAS 29 ("Financial Reporting in Hyperinflationary Economies") to the Group's entities in Turkey. This accounting adjustment due to hyperinflation is not tax deductible. Despite Turkey's status as a hyperinflationary economy, the Turkish tax code does not provide for the application of any inflation adjustment for the 2023 financial year.

On the other hand, the acceptance by Garanti BBVA AS and other Turkish subsidiaries of the regime approved in January 2023, which allows financial entities to tax revalue their real estate and other depreciable assets, has made it possible to mitigate some of the distortions. to the increase in fiscal pressure that occurs due to Turkey being considered a hyperinflationary economy.

In addition, at the beginning of the 2023 financial year, the nominal corporate income tax rate was 25%. However, in July 2023, 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 30% in the 2023 financial year and subsequent years. Taking into account all of the above, in the 2023 financial year the effective tax rate was higher than the nominal rate of 30%, mainly due to the upward distortion of the tax burden resulting from the restatement of the financial statements due to the application of hyperinflation accounting 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, fundamentally carrying out retail and commercial banking activities, as in the rest of the jurisdictions. The relative weight of these countries in the Group's accounts is very limited; representing less than 3.5% of the Group's total consolidated Profit Before Taxes in 2023. The average applicable nominal rate has amounted in 2023 to 24.81% and the effective tax rate has been very aligned, being 22.09%.

Additionally, in the rest of Europe and Asia, the banking and financial entities located in Switzerland, the Netherlands, and 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 less than 6% of the total consolidated Profit Before Tax of the Group generated in 2023.

The applicable average nominal rate amounted to 22.74%. In fiscal year 2023, the effective tax rate has risen to 19.78%, below the average nominal rate, among other reasons, due to the registration of tax assets in Portugal.

The scope of the geographical areas described above can be consulted in Appendix I of the Consolidated Financial Statements.

Offshore financial centers

The Group has an express policy on activities in permanent establishments domiciled in offshore financial centers.

Securities issuers

As of December 31, 2023, 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., Garanti Diversified Payment Rights Finance Company and RPV Company. During the first quarter of 2023, Continental DPR Finance Company was transferred to the Netherlands and is no longer domiciled in an offshore financial center.

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

BRANCH AT OFFSHORE ENTITIES (BBVA GROUP. MILLIONS OF EUROS)

	2023	2022
Subordinated debts [(1)]		
BBVA Global Finance LTD	182	188
Other debt securities		
Garanti Diversified Payment Rights Finance Company	281	461
RPV Company	1,395	1,438
Total	**1,858**	**2,086**

[(1)] Securities issued before the entry into force of Law 19/2003 dated July 4, 2003.

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.

BBVA's Internal Audit area conducts risk-based reviews of these BBVA Group establishments in offshore financial centers and carries out follow-ups on the action plans derived from such reviews. Similarly, under a risk-based approach, the Group's non-financial risk control model includes these establishments within its scope.

2.4 Governance

2.4.1 Compliance and conduct

2.4.2 Regulators & supervisors

2.4.3 Other non financial risks

2.4.1 Compliance and conduct

The Group is firmly committed to operating all its activities and businesses in strict compliance with the laws in force at all times and in accordance with strict standards of ethical conduct. To achieve this, it has a compliance system in place, the cornerstones of which are the Code of Conduct (published on BBVA's corporate website, www.bbva.com), the internal control model and the Compliance function.

Code of conduct

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 BBVA's Code of Conduct to align it with new developments in the business and the environment in which BBVA operates, and to meet the expectations of the societies in which the Group is present. The new version of the Code of Conduct was communicated to all BBVA employees and made available on the corporate intranet and corporate website.

In order to reinforce awareness and knowledge of the Code of Conduct, BBVA has a corporate course on the Code of Conduct that all BBVA employees are required to take. This course incorporates messages from members of Senior Management on aspects of conduct to be taken into consideration in the daily activities of BBVA employees showing the commitment and importance that the Bank's Senior Management gives to maintaining a high corporate culture of compliance in the Bank ("tone from the top").

At the end of December 2023, 96,103 employees have completed this Code of Conduct course.

In this context, the work carried out in 2023 by the Compliance unit included ongoing advice on applying the Code of Conduct. Specifically, in the Group, 631 individual queries of different nature were formally addressed through the Consultation Channel (306 in 2022), relating, among other types, to the treatment of conflicts of interest (28.4%), the offer, delivery or acceptance of gifts and-or personal benefits, as well as the attendance and organization of promotional and leisure events (20.1%), the development of ohter professional activities (10.9%) or the selection, hiring and promotion of personnel (9.8%).

Compliance

The BBVA Compliance function is a global unit integrated within the second line of defense that is entrusted by the Board of Directors with the role of promoting and supervising, with independence and objectivity, measures to ensure that BBVA acts with integrity, particularly in areas such as the prevention of money-laundering and anti-terrorist financing (AML/FT), conduct with customers, conduct in the securities market,personal data protection, the prevention of corruption and other aspects of corporate conduct.

The Compliance function has its own Charter, approved by the Board of Directors after analysis by the Risk and Compliance Committee. The Charter is periodically reviewed, being last updated in 2023 by the aforementioned corporate bodies to keep it in line with the external and internal regulatory framework, as well as with changes in the Group's organizational structure and with the duties and responsibilities of the members of the function, and also with the expectations of the various stakeholders.

Mission and scope of action

The Compliance Unit is part of the Regulation and Internal Control area, which is responsible, among other matter, for the second line of defense functions for all risks to which the group is exposed. In order to reinforce its independence in the performance of its duties, 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 this area.

The tasks of the Compliance function include:

- promote a culture of integrity and compliance within BBVA, as well as the knowledge by stakeholders of the external and internal rules and regulations applicable to the abovementioned matters, through the development of internal regulation, advisory, dissemination, training and awareness programs, fostering the proactive management of AML/FT and compliance and conduct risk; and
- specify and promote the implementation and full adherence of the Organization to the frameworks and measures for the prevention and management of risks related to these issues; this includes exercising control over the first line of defense.

In order to suitably perform its functions, Compliance operates a configuration and internal organization systems in accordance with the principles of internal governance established by the relevant EU guidelines in these issues. In its structure and operation, the Compliance unit adheres to the principles established by the Bank for International Settlements (BIS) and to the leading standards applicable to AML/FT and Compliance and Conduct issues.

Organization, internal government and management model

At BBVA, the Compliance function is of a global nature. It is made up of a corporate unit with a transversal scope for the entire Group, headed by a global manager, as well as local units that, sharing the mission entrusted to them and led by managers in each geography, perform the function in the countries in which BBVA operates.

The Compliance function has persons in charge of the AML/FT and Compliance and Conduct issues, for the definition and articulation of the strategy and management model of the function or for the execution and ongoing improvement of the internal operational procedures of the area.

The main objective of the Compliance Function is to establish the framework for risk prevention and management, AML/FT and Compliance and Conduct, to follow up on such management as well as to report its level of implementation and the status of corrective action plans at the appropriate levels in the organization, and its main tasks include the following:

- Carrying out an AML/FT risk assessment and Compliance and Conduct inherent to the Group's activity.
- Advising the Organization on the requirements to be complied with in relation to AML/FT and Compliance and Conduct matters for the management of the related risks.
- Developing and implementing internal regulations on its matters.
- Establishing mechanisms for the monitoring and verification of compliance with internal regulations that allow the measurement of the management of these risks and their adequate check.
- Management of whistleblowing channels in the different jurisdictions.
- Establishing systems, technological tools and data for these risk management.
- Regularly report related information on these issues to the different levels of the Group.
- Represent the Compliance function before regulatory and supervisory bodies on those matters.

The breadth and complexity of BBVA's activities and its international presence give rise to a wide range of regulatory requirements and expectations from supervisory bodies that must be addressed in relation to the management of the risks associated with these matters. This makes it necessary to have internal mechanisms that establish cross-cutting management programs for these risks in a uniform and integral manner.

For this purpose, Compliance has a global framework for prevention and management , which, with an integral and preventive approach, is evolving over time to reinforce the elements and pillars on which it is based and in order to anticipate the developments and initiatives that may arise in this area.

The framework is based on the Code of Conduct, the Compliance Charter and Compliance Policies and it is supported by a range of specific programs as well as in technological infrastructure and cross-cutting data for better operationalization and efficiency in risk management. These include among others, a global Internal Regulation portal, a gift and event registry tool, a conflict of interest registry and management tool, tools for monitoring customers and market abuse, and a whistleblower channel management tool.

The strategic issues and the approval of the internal regulation of the function are defined and submitted to different committees at the executive level, which include among others, the Regulation and Internal Control Committee, the Global Compliance Committee and the Internal Control Body in the area of AML/FT .

The Compliance model has 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, all 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 the following elements:

- A specific organizational structure with a clear assignment of roles and responsibilities throughout the Organization.
- A set of policies, standards and procedures (internal regulation) that establish the positions and requirements to be applied in the risk management.
- Mitigation and control processes aimed at compliance with such internal regulation.
- A technology and data infrastructure focused on monitoring and geared towards ensuring the previous objective.
- Communication and training actions, aimed at maintaining updated knowledge and awareness of risk prevention and management matters by the Group's professionals. These mechanisms are coordinated within the Compliance Culture Program.
- A set of indicators for supervising and monitoring the implementation of the model at a global level and for the proactive detection of potential risk situations.
- Independent periodic review of effective model implementation.

Throughout 2023, work continued on strengthening the documentation and management of this model. In this regard, the review and update of the Compliance Charter, which introduces some issues arising from the most recent regulations on AML, whistleblower protection and greenwashing, and other issues of internal organization, as well as the reinforcement of the indicator framework, integrated into the management of the operating and business units, in order to improve the early detection of these risks. In addition, we have continued to strengthen the framework of information reported to the corporate bodies.

The model is continuously reviewed and tested through extensive and diverse annual verification processes in each of the geographies, including inspections by supervisory bodies, internal and external audits and Compliance Testing activities carried out by dedicated teams in the Compliance units. In relation to this activity, efforts during 2023 have been particularly focused on the review of the AML/FT frameworks and risk management processes and related to customer conduct .

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 "Customer protection framework" section in the "2.3.2 Customers" chapter of this report.

Anti-money laundering and financing of terrorism

Anti-money laundering and financing of terrorism (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 interacts (mainly customers, employees, shareholders and suppliers) in the different jurisdictions where it operates.

BBVA pays special attention to compliance with AML/FT regulations and those relating to restrictions imposed by national and international bodies for operating with certain jurisdictions and individuals or corporations. The BBVA Code of Conduct establishes the basic guidelines for action in this area.

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 local regulations of the jurisdictions in which BBVA is present and also 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).

The Group is continuously developing this risk management model. Thus, the risk analysis carried out annually make it possible to reinforce controls and establish, if necessary, additional mitigating measures to strengthen it. In 2023, the Group's affected counterparties carried out this AML/FT risk assessment exercise, under a common methodology and the supervision of the corporate AML/FT function.

As part of the AML/FT Function’s Strategic Plan, in 2023, BBVA has created a global financial crime prevention unit, a pioneer in the Spanish banking industry. With a holistic vision, focused on prevention and the protection of its customers, the objective of this new unit is to reinforce the prevention of financial crime, integrating fraud responsibilities and AML/FT processes related to the identification, alert management and analysis of suspicious transactions, which must be managed by the first line of defense.

In the belief that technology and data are essential to implement an effective AML/FT program and for the proactive protection of customers, the entity itself and society, the improvement of the technological infrastructure and the use of advanced analytical techniques and models constitute fundamental lines of work in the aforementioned Strategic Plan.

With regard to technological infrastructure, in 2023, following the creation of the global financial crime prevention unit, a Strategic Plan was defined for the transformation of fraud prevention, money laundering and terrorism financing. As regards AML/FT, the monitoring tool implemented in Spain, Mexico and Turkey will be deployed in Argentina, Colombia and Peru in the short term. For the medium term, work has begun in two lines: to seek tools with even more advanced monitoring capabilities and to implement advanced analytics capabilities and artificial intelligence .

In terms of data exploitation, the Group continues to develop different applications of new data-based technologies (artificial intelligence, business analytics, etc.) to complement the AML/FT processes in order to (I) enhance risk detection capabilities; (II) increase the efficiency of these processes; and (III) enhance analysis and investigation capabilities. Additionally, and leveraged on the creation of a global Compliance data model, during 2023 progress has been made in the creation of a global supervision model, which allows centralized analysis over the AML/FT processes.

During 2023, BBVA continued to tighten internal corporate regulations (including financial sanctions, risk assessment, customer admission and due diligence measures, Customer Risk Rating (allocation of AML risk to customers), cross-border correspondent banking or admission and maintenance of relationships with publicly accountable persons).

The Internal Control Body, which BBVA has at the corporate level, meets periodically and supervises the implementation and effectiveness of the AML/TF risk management model in the Group. This supervision scheme is also replicated at the local level through the corresponding committees in each geographic area. Likewise, the assignment of greater powers to the Global Internal Control body and the creation of an Operational Internal Control Body, which globally manages more operational aspects, represent progress in improving governance and the traceability of the decisions adopted for the day-to-day AML/FT risk management.

In 2023, the BBVA Group resolved 167,269 investigation files that resulted in 105,845 suspicious transaction reports sent to the corresponding authorities in each country, which are mainly concentrated in jurisdictions such as Mexico, Turkey, Argentina, Colombia or Spain.

In terms of training related to AML/FT, each of the BBVA Group entities offers an annual training plan for 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 on staff. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the regulation of applicable AML/FT standards, both internal and external, as well as specific issues that affect the functions performed by the target group of the training. In 2023, 80,442 attendees participated in AML/FT training activities. This figure includes 12,826 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, both by the Compliance Testing teams, as well as by internal and external audits and those carried out by local supervisory bodies, both in Spain and in the rest of the world. the jurisdictions. In accordance with Spanish regulations, an external expert conducts an annual review of the AML/FT program implemented in Spain. In 2023, this external expert concluded that "in general terms and taking into account the type of deficiencies detected, the BBVA Group's procedures in Spain are in line with current legislation and best market practices".

It should be noted that BBVA cooperates with the different government agencies and international organizations in this field: participation in various committees of the European Banking Federation (Executive Committee Financial Crime Strategy Group, Anti-Money Laundering & Financial Crime Committee and Financial Sanctions Expert Group), member of the KYC/RBA (Know Your Customer / Risk-based Approach) and Information Sharing working groups 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 exchanges of information for AML/FT 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 disruption of financial crimes related to forestry crimes" as well as contributions to public consultations issued by national and international bodies (Committee, European Commission, European Banking Authority and FATF-FATF (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 of the members of the BBVA Group.

These basic principles are specifically developed in the Policy on Conduct in the Field of Securities Markets ("the Policy"), which applies to all the individuals who form a part of the 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, prevention of market manipulation and conflicts of interest. The Policy is supplemented in each jurisdiction by a rule or Internal Code of Conduct (ICC) aimed at the target group with the greatest exposure in the markets. The ICC develops the contents established in the Policy, adjusting them, where appropriate, to local legal requirements. Both regulations are extended throughout the Group, with the implementation of tools in practically the entire Group, which are in continuous development, to manage them.

As part of the unit's routine activity, in 2023 Compliance supervised more than 60,000 own-account transactions of employees subject to the ICC, a group that at the end of that year totaled more than 7,000 people.

In relation to the process of monitoring transactions in the securities markets, both of customers and those derived from the Group's own operations, in 2023 more than 100 suspicious transactions were reported to the various local supervisors in the geographical areas in which BBVA operates in the markets. Moreover, through the communications monitoring process, more than 5,000 communications alerted through the voice and electronic channels of the market areas were analyzed.

The internal regulation on market abuse has been reviewed, highlighting the update of the Standard on activities related to Benchmark Indices. In addition, the Procedure on Market Publications and the Standard for the Protection and Safeguarding of Confidential Information have been issued.

In this context of market abuse prevention, the technological infrastructure for the detection of transactions that might constitute market abuse has continued to be reinforced, with a special focus on trading activities. In addition, during 2023, the training program on market abuse was updated with the launch of a new training activity on the Internal Code of Conduct Regulation.

With regard to the U.S. regulations known as the "Volcker Rule", the continuous training process for the areas involved has been maintained, with 233 employees receiving training in this area in 2023. In addition, training was sent to employees considered critical to compliance with the standard, reminding them of the basic principles of the standard.

In addition, the buyback programs implemented by BBVA, which began in 2022 and continued in 2023, have been accompanied by the execution of the corresponding control framework by the business and compliance teams, and the results of the controls have been satisfactory throughout the year.

Fiduciary risk

BBVA understands fiduciary risk as the possibility of failing to comply with the obligation to carry out with due diligence and in the best interest of its customers any advice, portfolio management or, in general, the distribution, through any service, of investment products and derivatives to customers.

In 2023, the Fiduciary Risk function was reinforced with the creation of a corporate-level function which was integrated into the Compliance area with the objective of developing a global program for managing this risk, focusing on the risk assessment of products, seeking homogeneity in local approaches and reinforcing the approach to risk quantification for its proper management. Progress has already been made in the preparation of a global report on positions in the different geographies, the purpose of which is to reinforce decision making by the responsible business and control areas.

Data protection

The BBVA Group has privacy policies or notices in the different geographical areas where it operates in accordance with their own local legislation. These explain how the Group entities collect and process the personal data of their customers, suppliers, and employees, as well as other individuals whose personal data is processed by the corresponding Group entity, and how they can exercise their rights in this area. These privacy policies or notices are subject to periodic review and updating, based on the applicable regulations, as well as the BBVA Group's General Privacy and Data Protection Policy and the corporate standard on personal data protection.

During 2023, the Personal Data Protection unit, integrated in the Compliance area and led by the Data Protection Officer (DPO), continued to promote supervision and control processes throughout the Group to ascertain the degree of application of data protection regulations in each geographical area and, where appropriate, to promote the necessary actions for proper application.

This has been implemented through (I) the reinforcement of the global regulatory framework, as well as rules and procedures of local application, and the review of personal data protection governance, (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 and Compliance Testing activities (carried out by specially dedicated teams in the Compliance units) carried out in this area.

Anti-corruption

Another key element in the management of Conduct risk at BBVA is the Group's General Anti-Corruption Policy (whose update was approved by the Board of Directors in 2023), which is the standard on which the Corruption Prevention Program is based and develops the principles and guidelines set out, mainly, in section 5.3 of the Code of Conduct. The Policy is in line with the spirit of national and international standards on the matter, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO). This Policy has been communicated again to 100% of the employees and to all members of the governing bodies of the main subsidiaries of the Group. Regarding the communication of the Anti-Corruption Policy to third parties, the Group released a public statement summarizing its contents through the shareholders' and investors' website. Additionally, BBVA makes the Code of Conduct available to its suppliers on the supplier portal, which in section 5.3 includes information on BBVA's Anti-Corruption Policy. For more information on suppliers, see section "2.3.4 Suppliers" of this report.

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, Corporate Standard for Gifts and Events, regulations regarding the granting of donations and commercial sponsorships, for example).

In line with the above, BBVA generally has a clause in its contracts in which suppliers undertake to comply with applicable anti-corruption legislation.

The BBVA anti-corruption framework is composed of the aforementioned regulatory body, and, 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 corruption risk in the Group, several types of transactions were evaluated: (i) 167,269 operations out of a total of 171,364 (97.61%) in relation to AML&FT risk (for the number of communications made to the corresponding authorities, see previous section on " Anti-Money Laundering and Financing of Terrorism"); (ii) with respect to internal fraud risk, a total of 172,518 (97%) operations have been analyzed; and (iii) from the AML&FT and Corruption risk side, 4,485 out of a total of 4,486 third parties evaluated in the Group's procurement processes (99.98%) have been evaluated.

In addition, in recent years, anti-corruption risk assessments were conducted on banks in the main geographical areas in which the BBVA Group operates. According to the overall result of this analysis, it was concluded that the control framework for corruption risk in the BBVA Group is adequate.

In relation to the training program on the prevention of corruption, BBVA has a corporate online course in most of the jurisdictions in which BBVA is present, which is mandatory and recurrent for all BBVA employees. At the close of the 2023 financial year, this course had been taken by a total of 83,883 (95.3%)[52] employees broken down as follows:

[52] This metric does not include Garanti Turkey.

PARTICIPANTS [1] IN THE ANTI-CORRUPTION COURSE BY GEOGRAPHICAL AREA AND PROFESSIONAL CATEGORY(BBVA GROUP. NUMBER, PERCENTAGE)

	2023			2022		
	Enrolled	Undertaken	% Undertaken	Enrolled	Undertaken	% Undertaken
Argentina	**6,016**	**5,988**	**99.5 %**	**5,834**	**5,785**	**99.2 %**
Management team	219	217	99.1 %	198	196	99.0 %
Managers	1,411	1,405	99.6 %	1324	1,312	99.1 %
Rest of employees	4,386	4,366	99.5 %	4312	4,277	99.2 %
Chile	**768**	**696**	**90.6 %**	**733**	**647**	**88.3 %**
Management team	51	48	94.1 %	53	50	94.3 %
Managers	110	106	96.4 %	98	94	95.9 %
Rest of employees	607	542	89.3 %	582	503	86.4 %
Colombia	**6,832**	**6,623**	**96.9 %**	**6,606**	**6,380**	**96.6 %**
Management team	212	210	99.1 %	202	201	99.5 %
Managers	1,822	1,816	99.7 %	1,714	1,706	99.5 %
Rest of employees	4,798	4,597	95.8 %	4,690	4,473	95.4 %
Spain	**21,703**	**21,073**	**97.1 %**	**20,817**	**20,181**	**96.9 %**
Management team	1,831	1,769	96.6 %	1,686	1,622	96.2 %
Managers	10,083	9,922	98.4 %	9,395	9,209	98.0 %
Rest of employees	9,789	9,382	95.8 %	9,736	9,350	96.0 %
Mexico	**41,847**	**38,999**	**93.2 %**	**38,415**	**35,729**	**93.0 %**
Management team	1,487	1,447	97.3 %	1,350	1,313	97.3 %
Managers	13,676	12,686	92.8 %	12,369	11,460	92.7 %
Rest of employees	26,684	24,866	93.2 %	24,696	22,956	93.0 %
Peru	**7,204**	**7,005**	**97.2 %**	**6,361**	**6,233**	**98.0 %**
Management team	335	328	97.9 %	313	307	98.1 %
Managers	2,409	2,353	97.7 %	2,205	2,159	97.9 %
Rest of employees	4,460	4,324	97.0 %	3,843	3,767	98.0 %
Switzerland	**123**	**123**	**100.0 %**	**115**	**115**	**100.0 %**
Management team	19	19	100.0 %	16	16	100.0 %
Managers	72	72	100.0 %	65	65	100.0 %
Rest of employees	32	32	100.0 %	34	34	100.0 %
Uruguay	**563**	**546**	**97.0 %**	**568**	**538**	**94.7 %**
Management team	54	54	100.0 %	50	50	100.0 %
Managers	224	220	98.2 %	204	196	96.1 %
Rest of employees	285	272	95.4 %	314	292	93.0 %
Venezuela	**1,743**	**1,672**	**95.9 %**	**1,738**	**1,558**	**89.6 %**
Management team	60	48	80.0 %	61	43	70.5 %
Managers	489	466	95.3 %	651	581	89.2 %
Rest of employees	1,194	1,158	97.0 %	1,026	934	91.0 %
Rest [2]	**1,224**	**1,158**	**94.6 %**	**1,120**	**1,040**	**92.9 %**
Management team	304	298	98.0 %	258	245	95.0 %
Managers	452	432	95.6 %	422	401	95.0 %
Rest of employees	468	428	91.5 %	440	394	89.5 %
Total general	**88,023**	**83,883**	**95.3 %**	**82,307**	**78,206**	**95.0 %**

[1] The calculation criterion excludes those employees who are still within the deadline to complete the training.

[2] Since 2022 includes Germany, Belgium, Italy, France, Portugal, the United Kingdom, the United States, the United Arab Emirates, India, Indonesia, Japan, Korea, Singapore, Taiwan, and China (with Hong Kong).

Furthermore, the total number and percentage of members of the Boards of Directors of the main entities[53] comprising the Group who have received anti-corruption training since the 2020 financial year and up to the date of publication of this report is 80[54] (100%).

Moreover, in line with international standards on corruption prevention, BBVA has, in most of the geographical areas in which it operates, a corporate tool for registering gifts and events whose main purpose is to provide transparency and information on the receipt of this type of personal benefits by BBVA employees. The receipt of gifts or invitations to events is subject to the application of strict acceptance criteria.

Antitrust

Regarding antitrust, BBVA's competition policy was approved in July 2019, which extended to the entire Group, represented a step forward in the development of conduct standards in this regard. The update of this policy was approved by the Board of Directors of BBVA, S.A. in the 2023 financial year. The policy further develops principle 4.16 of the BBVA Code of Conduct on free competition and covers the most sensitive areas of risk identified by national and international organizations, agreements with competitors, agreements with non-competitors, as well as a possible position of dominance. This Policy has been communicated to BBVA employees and has been transposed in the main geographies in which the Group operates. Various training and awareness-raising activities have been carried out in this area in recent years.

Conflicts of interest

During 2023, a new corporate tool for registering and managing conflicts of interest in Spain has been implemented. During 2024, its implementation is expected to be extended to most of the geographic areas in which BBVA is present. Additionally, in the 2023 financial year, various actions were carried out to raise awareness of conflicts of interest. BBVA has a general policy, applicable to the entire Group, which reinforces the principles and main measures that all members of BBVA must assume and follow to identify, prevent and manage conflicts of interest. The policy has been established in the context of the principles under which the 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, or governance and monitoring mechanisms at various different levels of the organization.

Whistleblowing Channel

A key mechanism for managing the Group's AML&FT and Compliance and Conduct risk is the Whistleblowing Channel. Through this channel, BBVA members as well as customers, suppliers or members of any other stakeholder group can confidentially and, if they wish, anonymously report any behavior that deviates from 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, the presumption of innocence, personal data protection and the absence of retaliation or any other adverse consequence of good faith communications. The Whistleblowing Channel is available in Spanish and English, 24 hours a day, 365 days a year.

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

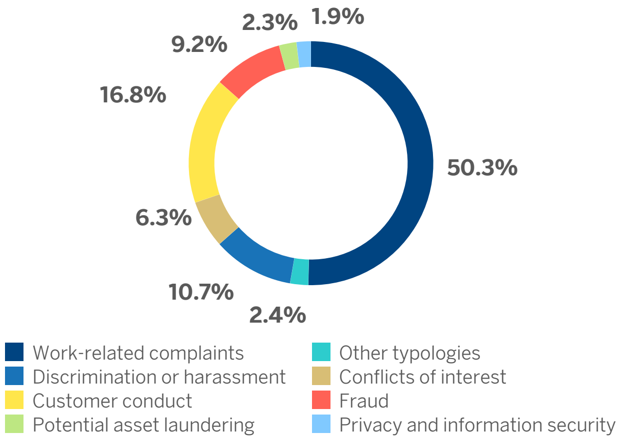
In the 2023 financial year, the BBVA Board of Directors approved the General Policy for the management of communications in the Whistleblowing Channel and whistleblower protection, which aligns internal regulations with the requirements of Law 2/2023, of February 20, regulating the protection of persons who report regulatory violations and the fight against corruption in Spain. This Policy has been communicated to BBVA employees and extended to the main BBVA subsidiaries in Spain and to the different geographies in which the Group is present. In addition, a statement has been published on the website for shareholders and investors.

This Policy governs whistleblower protection and the management of the Whistleblowing Channel. The Whistleblowing Channel is managed by the Compliance Unit. It covers different stages, from the receipt of the alert and acknowledgement of receipt to the complainant (within 7 days) to the verification of the facts and closure of the case on the basis of an objective, impartial and confidential investigation. The parties affected by the communication enjoy the presumption of innocence, the right to honor and defense as well as the right to information and to be heard.

In 2023, a total of 2,061 complaints were received in the Group, representing an increase of 29% over the previous year, mainly attributable to the awareness and knowledge of the Whistleblowing Channel carried out in the Group in recent quarters. The main issues are related to labor relations or labor complaints (1,037), discrimination or harassment (220)[55], customer conduct (347), conflicts of interest (129), fraud (190), potential asset laundering (48), privacy and information security (40) , and other typologies (50). These communications came from employees (69%) and third parties (8%). In the rest of the cases (23%), the informants did not provide this information.

[53] With reference to the following geographic areas: Argentina, Chile, Colombia, Mexico, Peru, Spain, Switzerland, Turkey, Uruguay and Venezuela.
[54] Number not including alternate directors.
[55] For more information on cases of discrimination or harassment that activated specific action protocols in 2023, consult GRI 406-1 in section "2.5.3 Table of contents of the GRI Standards

COMPLAINTS RECEIVED BY TYPE (BBVA GROUP, 2023)



A total of 1,546 complaints were processed in the 2023 financial year. Approximately 38.4% of complaints processed during the year ended with the imposition of disciplinary measures, of which 115 resulted in disciplinary dismissals. None of the complaints handled through the Whistleblowing Channel caused significant economic, criminal or reputational impacts.

Criminal prevention model

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

The prevention system is aimed at: (I) identifying the activities carried out in BBVA that represent a risk of incurring criminal liability of the legal entity; (II) identifying the elements of control, prevention and mitigation of such risks; and (III) developing a specific risk management program for each type of crime that may 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 offenses, 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 of operation, compliance and effectiveness of the model, the identification of the responsible units and the scheduled information to the BBVA governing bodies of the results of the monitoring of the system and of the incidents or possible relevant breaches.

This model, which is periodically subjected to independent review processes, is configured as a dynamic process in continuous development, so that experience in its application, changes in the Entity's activity and structure and, in particular, in its control model, as well as legal, economic, social and technological developments, are taken into account with a view to adapting and improving it.

In this context, in 2022 BBVA renewed the AENOR (Spanish Association for Standardization and Certification) certificate, which certifies that its criminal compliance management system complies with the UNE 19601:2017 Standard.

2.4.2 Regulators & supervisors

Due to the nature of its operations, banking is one of the key sectors of the economy since a large part of savings, investment and financing is channeled through it. For this reason, banks are subject to specific regulation and supervision, with regulators and supervisors being an important stakeholder of the financial industry in general and BBVA in particular.

Regulation aims to preserve the proper functioning of financial institutions, strengthen their resilience to adverse events and harmonize the interests of the parties directly affected (banks, savers and investors) with general interest.

In recent years, various authorities, both European (the European Banking Authority, EBA; the European Securities and Markets Authority, ESMA; the European Commission) and global (such as the Financial Stability Board, FSB; the Basel International Bank for Settlements, BIS; etc.) have developed a regulatory framework that improves the strength of the financial system and reduces the virulence and probability of future financial crises.

Given the importance of the regulatory and supervisory agenda, BBVA has maintained a constant dialogue with the different authorities. BBVA has a unit in charge of coordinating the relationship with the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), as well as facilitating the relationship with other local supervisors from a global and unique point of view. The supervision of the SSM is carried out through mixed groups, in the case of BBVA mainly formed by teams from the Bank of Spain located in Madrid and the European Central Bank (ECB) located in Frankfurt, known as JST or joint supervisory teams. The SRM is composed of the Single Resolution Board (SRB) established in Brussels and the National Resolution Authorities (NRA) which, in the case of Spain, are the Bank of Spain as the preventive resolution authority and the Fund for Orderly Bank Restructuring (FROB) as the executive resolution authority.

It should be noted that BBVA actively participates in the consultation processes on the regulation of financial institutions carried out by the different regulators or supervisors mentioned above.

For more information on the regulatory and legal framework applicable to the entities forming part of the BBVA Group, see the "Regulatory Environment" chapter of this report.

2.4.3 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 BBVA. On July 29, 2019, BBVA was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. 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. Since the beginning of the investigation, BBVA has been proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As at the date of this Annual Report, no formal accusation against BBVA has been made.

By order of the Criminal Chamber of the National High Court, the pre-trial phase ended on January 29, 2024. It is not possible at this time to predict the possible outcomes or implications for the Group of this matter, including any fines, damages or harm to the Group’s reputation caused thereby.

2.5 Tables of Contents

2.5.1 Index of contents of Law 11/2018

2.5.2 Index of contents of Law 07/2021

2.5.3 GRI standards content index

2.5.4 Index of contents of the Principles of Responsible Banking UNEP FI

2.5.5 Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

2.5.6 Contribution to the Sustainable Development Goals

2.5.1 Index of contents of Law 11/2018[56]

Non-financial Information Report. Contents index of the Law 11/2018

		Page / Section BBVA's Management Report 2023	GRI reporting criteria	Page(s)
General information				
Business model	Brief description of the group's business model	BBVA in brief/Who we are NFIS/Sustainability in the BBVA Group/Governance model	GRI 2-6 GRI 2-7	2-4 37-39
	Geographical presence and Organization and Sturcture	BBVA in brief/Who we are Other information/Organizational chart	GRI 2-1 GRI 2-6	2-4 309
	Objectives and strategies of the organization	BBVA in brief/BBVA Group strategy NFIS/Sustainability in the BBVA Group/ESG Strategy and objectives	GRI 2-22	5-12 17-19
	Main factors and trends that may affect your future evolution	BBVA in brief/BBVA Group strategy NFIS/Sustainability in the BBVA Group/ESG Strategy and objectives Financial information/BBVA Group/Macroeconomic and regulatory environment	GRI 2-6	5-12 17-19 226-231
General	Reporting framework	Non-financial information statement	GRI 1	15
	Principle of materiality	NFIS/Sustainability in the BBVA Group/Materiality analysis NFIS/Additional information/Additional information on materiality analysis	GRI 3-1 GRI 3-2	20-21 201-209

[56] 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.

Management approach	Description of the applicable policies	NFIS/Sustainability in the BBVA Group/Governance model	GRI 3-3 GRI 2-25	37-39
	The results of these policies	NFIS/Environmental NFIS/Social NFIS/Governance Risk management	GRI 3-3 GRI 2-25	40-80 81-129 130-138 272-294
	The main risks related to these issues involving the activities of the group	NFIS/Environmental/Risks and Opportunities Associated with Climate Change NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Social/Society NFIS/Social/Customers NFIS/Social/Employees NFIS/Social/Commitment to Human Rights NFIS/Governance/Compliance and conduct Risk management	GRI 2-16	40-44 45-56 82-85 86-92 93-116 119-120 130-137 272-294
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/Environmental Risk management/General risk management and control model	GRI 3-3	40-80 272-280
	Environmental assessment or certification procedures	NFIS/Environmental/Management of direct environmental impacts	GRI 3-3 GRI 2-25	70-75
	Resources dedicated to the prevention of environmental risks	NFIS/Sustainability in the BBVA Group/Governance model NFIS/Sustainability in the BBVA Group/Sustainability in business development	GRI 3-3 GRI 2-25	37-39 22-29
	Application of the precautionary principle	NFIS/Environmental Risk management/General risk management and control model	GRI 2-23 GRI 3-3 GRI 2-25	40-80 272-280
	Amount of provisions and guarantees for environmental risks	NFIS/Environmental/Management of direct environmental impacts	GRI 3-3 GRI 2-25	70-75
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/Sustainability in the BBVA Group/Sustainability in business development NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management of direct environmental impacts	GRI 3-3 GRI 2-25	22-29 45-56 70-75
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	NFIS/Environmental/Management of direct environmental impacts	GRI 3-3 GRI 2-25 GRI 306-2 with respect to recycling and reusing	70-75
	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/Environmental/Management of direct environmental impacts	GRI 303-5 (2018) with respect total water consumption	70-75
	Use of raw materials and measures taken to improve the efficiency of their utilization	NFIS/Environmental/Management of direct environmental impacts	GRI 301-1 with respect to renewable materials used	70-75
	Energy use, direct and indirect	NFIS/Environmental/Management of direct environmental impacts	GRI 302-1 GRI 302-3	70-75
	Measures taken to improve energy efficiency	NFIS/Environmental/Management of direct environmental impacts	GRI 3-3 GRI 2-25 GRI 302-4	70-75
	Use of renewable energies	NFIS/Environmental/Management of direct environmental impacts	GRI 302-1 with respect to renewable energies consumption	70-75
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/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Alignment of the loan portfolio with the Paris Agreement NFIS/Environmental/Management of direct environmental impacts	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	45-56 56-69 70-75
	Measures taken to adapt to the consequences of climate change	NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Alignment of the loan portfolio with the Paris Agreement NFIS/Environmental/Management of direct environmental impacts	GRI 3-3 GRI 2-25 GRI 201-2	45-56 56-69 70-75
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Alignment of the loan portfolio with the Paris Agreement NFIS/Environmental/Management of direct environmental impacts	GRI 305-5	45-56 56-69 70-75
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/Additional information/Additional information on employees	GRI 2-7 GRI 2-8 GRI 405-1	209-220
	Total number and distribution of work contract modalities	NFIS/Additional information/Additional information on employees	GRI 2-7 GRI 2-8	209-220
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	NFIS/Additional information/Additional information on employees	GRI 2-7 GRI 2-8	209-220
	Number of dismissals by sex, age, and professional classification	NFIS/Additional information/Additional information on employees	GRI 3-3 GRI 2-25 GRI 401-1 with respect to staff turn-over by sex, age and country	209-220
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	NFIS/Social/Employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	110-116
	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/Social/Employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	110-116
	Salary gap	NFIS/Social/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	114
	Implementation of employment termination policies	NFIS/Social/Employees/Working environment/Work organization	GRI 3-3 GRI 2-25	104-105
	Employees with disabilities	NFIS/Social/Employees/Professional development/Diversity and inclusion	GRI 405-1	101-103
Work organization	Work schedule organization	NFIS/Social/Employees/Working environment/Work organization	GRI 3-3 GRI 2-25	104-105
	Number of hours of absenteeism	NFIS/Social/Employees/Working environment/Occupational safety and health	GRI 403-9	106-109
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	NFIS/Social/Employees/Working environment/Work organization	GRI 3-3 GRI 2-25	104-105
Health and safety	Work health and safety conditions	NFIS/Social/Employees/Working environment/Occupational safety and health	GRI 3-3 GRI 2-25 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018)	106-109
	Work accidents, in particular their frequency and severity, disaggregated by gender	NFIS/Social/Employees/Working environment/Occupational safety and health	GRI 403-9 (2018) with respect to labor accident injuries	106-109
	Occupational diseases, disaggregated by gender	NFIS/Social/Employees/Working environment/Occupational safety and health	GRI 403-10 (2018)with respect to recordable labor injuries	106-109

Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	NFIS/Social/Employees/Working environment/Freedom of association and representation	GRI 3-3 GRI 2-25	105-105
	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/Social/Employees/Culture and values NFIS/Social/Employees/Working environment/Freedom of association and representation	GRI 3 -3 GRI 2-25	95 105-105
	Percentage of employees covered by collective agreement by country	NFIS/Social/Employees/Working environment/Freedom of association and representation	GRI 2-30	105-105
	The balance of collective agreements, particularly in the field of health and safety at work	NFIS/Social/Employees/Working environment/Occupational safety and health	GRI 403-4 (2018)	106-109
Training	Policies implemented for training activities	NFIS/Social/Employees/Professional development/Training	GRI 3-3 GRI 2-25 GRI 404-2	99-101
	The total amount of training hours by professional category	NFIS/Social/Employees/Professional development/Training	GRI 404-1	99-101
Accessibility	Integration and universal accessibility of people with disabilities	NFIS/Social/Employees/Professional development/Diversity and inclusion	GRI 3-3 GRI 2-25	101-103
Equality	Measures taken to promote equal treatment and opportunities between women and men	NFIS/Social/Employees/Professional development/Diversity and inclusion	GRI 3-3 GRI 2-25	101-103
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	NFIS/Social/Employees/Professional development/Diversity and inclusion	GRI 3-3 GRI 2-25	101-103
	Measures adopted to promote employment, protocols against sexual and sex-based harassment.	NFIS/Social/Employees/Professional development/Diversity and inclusion	GRI 3-3 GRI 2-25	101-103
	Policy against any type of discrimination and, where appropriate, diversity management	NFIS/Social/Employees/Professional development/Diversity and inclusion	GRI 3-3 GRI 2-25	101-103
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/Social/Commitment to Human Rights	GRI 2-23 GRI 2-26	119-120
	Claims regarding cases of human rights violations	NFIS/Social/Commitment to Human Rights	GRI 3-3 GRI 2-25 GRI 406-1	119-120
	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/Social/Employees/Working environment/Freedom of association and representation NFIS/Social/Commitment to Human Rights	GRI 3-3 GRI 2-25 GRI 407-1 GRI 408-1 GRI 409-1	105 119-120
Information about anti-bribery and anti-corruption measures				

Corruption and bribery	Measures adopted to prevent corruption and bribery	NFIS/Governance/Compliance and conduct	GRI 3-3 GRI 2-25 GRI 2-23 GRI 2-26 GRI 205-2 GRI 205-3	130-137
	Measures adopted to fight against anti.money laundering	NFIS/Governance/Compliance and conduct	GRI 3-3 GRI 2-25 GRI 2-23 GRI 2-26 GRI 205-2 GRI 205-3	130-137
	Contributions to foundations and non-profit-making bodies	NFIS/Social/Society/Contribution to the Community	GRI 2-28 GRI 201-1 with respect to community investment	82-84
Information about the society				
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	NFIS/Sustainability in the BBVA Group/Dialogue and discussion with customers, industry and the public sector NFIS/Social/Society/Contribution to the community	GRI 3-3 GRI 2-25 GRI 203-2 with respect to significant indirect economic impacts GRI 204-1	30-35 82-84
	The impact of company activity on local populations and on the territory	NFIS/Sustainability in the BBVA Group/Dialogue and discussion with customers, industry and the public sector NFIS/Social/Society/Contribution to the community	GRI 413-1 GRI 413-2	30-35 82-84
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	NFIS/Sustainability in the BBVA Group/ ESG strategy and objectives NFIS/Social/Employees/Working environment/Freedom of association and representation NFIS/Social/Society/Contribution to the community NFIS/Additional information/Additional information on materiality analysis NFIS/Additional Information/Operations analyzed under the Equator Principles	GRI 2-29 GRI 413-1	17-19 105 82-84 201-209 223-224
	Actions of association or sponsorship	NFIS/Social/Society/Contribution to the community	GRI 3-3 GRI 2-25 GRI 201-1 with respect to investments in the community	82-84
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	NFIS/Social/Suppliers	GRI 3-3 GRI 2-25	117-118
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	NFIS/Social/Suppliers	GRI 2-6 GRI 308-1 GRI 414-1	117-118
	Supervision systems and audits, and their results	NFIS/Social/Suppliers	GRI 2-6 GRI 308-1 GRI 308-2 GRI 414-2	117-118
Consumers	Customer health and safety measures	NFIS/Governance/Security and protection NFIS/Social/Customers/Customer experience NFIS/Social/Commitment to Human Rights	GRI 3-3 GRI 2-25 GRI 416-1	87-89 89-90 119-120
	Claims systems, complaints received and their resolution	NFIS/Social/Customers/Customer care NFIS/Additional information/Additional information on customer complaints	GRI 3-3 GRI 2-25 GRI 418-1	90-92 221-223

Tax information	Benefits obtained by country	NFIS/Social/Fiscal contribution and transparency	GRI 201-1 GRI 207-4 (2019) with respect to tax on corporate profit payed and tax on corporate profit	122-129
	Taxes on paid benefits	NFIS/Social/Fiscal contribution and transparency	GRI 201-1 GRI 207-4 (2019) with respect to corporate income tax paid and corporate income tax accrued on profit/ loss.	122-129
	Public subsidies received	NFIS/Social/Fiscal contribution and transparency	GRI 201-4	122-129
Requirements of the Taxonomy regulation		NFIS/Environmental/Information related to article 8 of the European Taxonomy Other information/Tables related to Article 8 of the European Taxonomy		76-80 310-340

2.5.2 Index of contents of Law 07/2021

In accordance with the provisions of Law 7/2021, of May 20, on climate change and energy transition (hereinafter, Law 7/2021), BBVA incorporates its Climate Change Report into the Group's Management Report, which accompanies the Consolidated Annual Accounts corresponding to the financial year 2023 and includes, among others, the content provided for in article 32 of Law 7/2021 and its implementing regulations.

The table of equivalences between the aforementioned contents related to the Climate Change Report provided for in Law 7/2021 and its location within the Group Management Report corresponding to the year 2023 is included below.

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.	5. Other information/5.2 Organizational Chart NFIS/2.1.6 Governance model
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/2.1.1 ESG strategy and objectives
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/2.1 Sustainability in BBVA Group NFIS/2.2 Environmental
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/2.2.2 Management of risks associated with climate change and environmental factors
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/2.1 Sustainability in BBVA Group NFIS/2.2 Environmental

2.5.3 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, 2023.

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 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, 2023. 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 2023 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 2022 have been duly indicated through their corresponding footnote in the sections: NFIS/Environmental/Management of direct environmental impacts NFIS/Social/Employees NFIS/Social/Tax contribution and transparency
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 NFIS/Social/Suppliers Financial information/BBVA Group Financial information/Business areas Consolidated Financial Statements (Note 3)

2-7	Employees	BBVA in brief NFIS/Social/Employees Financial information/BBVA Group Financial information/Business areas In the breakdowns in which the number of employees is presented, the criterion of accounting for the number of people has been followed, except in those cases in which it is explicit that the data is expressed in full-time equivalent units (FTEs) or other measures. Age ranges: the ranges are reported according to the ranges of <30 years / between 30 and 39 years / between 40 and 49 years / ≥50 years. Professional Categories: based on the transversal role model established in 2022, BBVA maintains 3 professional categories: Management Team, Managers and Rest of Employees.
2-8	Workers who are not employees	As of December 31, 2023, the number of external workers in the Engineering (Technology and Operations) area of the BBVA Group amounted to approximately 9,800 (approximately 400 less than as of December 31, 2022). These persons from external companies are hired to provide services related to computer infrastructure issues, or development/maintenance of software architectures and applications and platforms, or specialized cybersecurity services. The above number does not include external users registered in the systems that need user/access to BBVA buildings for the provision of services managed by the provider in which the number of persons is decided by the external company to satisfy the required level of service and it is, therefore, variable.
Governance		
2-9	Governance structure and composition	NFIS/Sustainability in the BBVA Group/Governance model Annual Corporate Governance Report: - 5. Board of Directors, 5.1 Composition of the Board of Directors (table of the Board of Directors), 5.1.1 Profiles of the members of the Board of Directors, 5.1.3 Directors who make up the Board and 5.2.1 Selection policy, suitability and diversity of the Board of Directors - 6. Committees of the Board of Directors
2-10	Nomination and selection of the highest governance body	Annual Corporate Governance Report: - 5.2.1 Selection, suitability and diversity policy of the Board of Directors; 5.2.2 Procedures for selection, appointment, re-election and dismissal of members of the Board of Directors
2-11	Chair of the highest governance body	Annual Corporate Governance Report: - 5. Board of Directors; 5.1 Composition of the Board of Directors; 5.1.1: Profiles of the members of the Board of Directors and Subsection 5.1.2.1: Position of Directors in other Group companies - 6. Committees of the Board of Directors; 6.3 Permanent Delegate Commission - 12.3 Conflicts of interest
2-12	Role of the highest governance body in overseeing the management of impacts	BBVA in summary/BBVA Group Strategy NFIS/Sustainability in the BBVA Group/Governance model Risk management Annual Corporate Governance Report: - 6. Committees of the Board of Directors - 13.1 Risk governance at BBVA

2-13	Delegation of responsibility for managing impacts	NFIS/Sustainability in the BBVA Group/Governance model Annual Corporate Governance Report: - 5.1.1 Profiles of the members of the Board of Directors: Subsection President and CEO. - 6. Committees of the Board of Directors
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 6, 2024, and will be subject to approval by the next General Shareholders' Meeting.
2-15	Conflicts of interest	NFIS/Governance/Compliance and conduct Annual Corporate Governance Report: - 6.7 Appointments and Corporate Governance Committee. - 12.3 Conflicts of interest
2-16	Communication of critical concerns	NFIS/Social NFIS/Additional information/Additional information on materiality analysis Annual Corporate Governance Report: - 6. Committees of the Board of Directors
2-17	Collective knowledge of the highest governance body	NFIS/Sustainability in the BBVA Group/Governance model Annual Corporate Governance Report: - 5.1 Formation of the board of directors - 5.2.1 Selection, suitability and diversity policy of the Board of Directors
2-18	Evaluation of the performance of the highest governance body	Annual Corporate Governance Report: - 7. Evaluation of the Council and its Committees
2-19	Remuneration policies	NFIS/Social/Employees/Remuneration Consolidated Financial Statements (Notes 44.1 and 54)
2-20	Process to determine remuneration	BBVA in brief/BBVA Group strategy NFIS/Social/Employees/Remuneration Consolidated Financial Statements (Notes 44.1 and 54)
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 annual total compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of all employees in the same geographical area, taking the annualized full-time remuneration, excluding the highest paid person. In the case of BBVA, S.A. In Spain, for the year 2023, the increase in the total annual compensation of the highest paid person has been 3.3 times lower than the increase in the median annual total compensation of the rest of the employees. Regarding geographies, the increase in the total annual compensation of the highest paid person has been greater than the increase in the median annual total compensation of the rest of the employees in: Mexico by 1.7 times; in Turkey, in 1.1 times; and in Argentina, 1.1 times. For its part, the increase in the total annual compensation of the highest paid person has been lower than the increase in the median annual total compensation of the rest of the employees in: Colombia, by 2.1 times; in Chile, 4.5 times; and in Uruguay, 2 times. Finally, in Peru, while the total annual compensation of the highest paid person has increased, the total annual compensation of the rest of the employees has decreased.
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 6, 2024, and will be subject to approval by the next General Shareholders' Meeting.
2-23	Policy commitments	BBVA in brief/BBVA Group strategy NFIS/Social/Employees/Culture and values NFIS/Social/Commitment to Human Rights Risk management
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/Social/Customers Employees => NFIS/Social/Employees Shareholders and investors => NFIS/Financial information/BBVA Group/The BBVA share Contribution to society=> NFIS/Social/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/Governance/Compliance and conduct Fiscal => NFIS/Social/Society/Fiscal contribution and transparency Commitment to Human Rights => NFIS/Social/Commitment to Human Rights Suppliers => NFIS/Social/Suppliers Regulators and supervisors => NFIS/Governance/Regulators and supervisors Commitments related to climate change and other environmental and social issues => NFIS/Environmental Risk management => Management report/Risk management
2-25	Processes to remediate negative impacts	NFIS/Sustainability in the BBVA Group/Materiality analysis NFIS/Additional information/Additional information on materiality analysis
2-26	Mechanisms for seeking advice and raising concerns	NFIS/Social/Commitment to Human Rights

2-27	Compliance with laws and regulations	This metric reports monetary sanctions above a materiality threshold of 1 million euros per sanction, imposed in fiscal year 2023 (indicating whether said sanctions have been appealed), and non-monetary sanctions associated with the previous ones for breaches of the regulations specified below [(1)]: - Competition regulations: there are no administrative sanctions imposed in fiscal year 2023 to the Entities, which exceed the materiality threshold, for violations of the competition regulations applicable to the Entities. A favorable resolution has been obtained for BBVA, S.A. by virtue of a ruling (not final) issued by the Administrative Litigation Chamber of the National Court on December 28, 2023 that upholds the contentious-administrative appeal filed by BBVA, S.A. against a sanctioning resolution of the National Markets and Competition Commission of February 13, 2018. - Data protection regulations: a sanction imposed in 2023 by the Spanish Data Protection Agency for a total of 1,640,000 euros is reported for alleged violation of Regulation (EU) 2016/679 general data protection that has been appealed judicially. This sanction requires the adoption of certain technical and organizational measures by BBVA,S.A. The penalty paid amounts to 1,184,000 euros (reduced by voluntary payment). A favorable ruling has been obtained for BBVA, S.A. issued by the First Section of the Contentious-Administrative Chamber of the National Court notified in 2023 that upholds the contentious-administrative appeal filed by BBVA,S.A. against the sanctioning Resolution of the Spanish Data Protection Agency dated November 18, 2020. The sentence is not final and has been appealed in cassation. - Regulations regarding the prevention of money laundering: The Permanent Committee of the Commission for the Prevention of Money Laundering and Monetary Offenses has considered that there are certain aspects regarding the policies and procedures used for the supervision of subsidiaries and branches of BBVA, S.A. in third countries that must have greater development at the corporate level, communicating a sanction consisting of a fine of 4,829,250 euros and a private admonition, which is being appealed before the competent courts. - Regulations on abusive clauses and lack of transparency with consumers, such as Directive 93/13, on abusive clauses in contracts concluded with consumers and Royal Legislative Decree 1/2007, which approves the consolidated text of the Law General for the Defense of Consumers and Users, and equivalent regulations outside the EU: there are no administrative sanctions imposed in fiscal year 2023 to the Entities, which exceed the materiality threshold, for violations of the above. - Regulations relating to good practices used in credit operations granted to clients: There are no administrative sanctions imposed in fiscal year 2023 to Entities that exceed the materiality threshold for violations of the above. Notification has been received in 2023 of the ruling rejecting the appeal filed in 2022 in relation to the sanction imposed on BBVA, S.A. in March 2020 by the Bank of Spain for alleged violations of the Code of Good Practices. That sentence will be appealed in cassation. - Tax fraud: the sanctions considered are those imposed in fiscal year 2023 to the Entities, that exceed the materiality threshold, for alleged tax fraud of said Entity (not third parties) understood as that which, 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 tax authorities that may lead to the questioning of tax positions or criteria adopted as long as they do not have consideration of tax fraud). There are no sanctions imposed in fiscal year 2023 to the Entities, which exceed the materiality threshold, for tax fraud. - Labor regulations: there are no sanctions imposed in fiscal year 2023 to the Entities, which exceed the materiality threshold, for violations of the labor regulations applicable to the Entities. - Environmental regulations: there are no administrative sanctions imposed in fiscal year 2023 to the Entities, which exceed the materiality threshold, for violations of the environmental regulations applicable to the Entities.
2-28	Membership associations	NFIS/Social/Society/Contribution to the community NFIS/Governance/Compliance and conduct
Stakeholder engagement		
2-29	Approach to stakeholder engagement	NFIS/Social NFIS/Governance/Regulators and supervisors NFIS/Additional information/Additional information on materiality analysis
2-30	Collective bargaining agreements	NFIS/Social/Employees/Work environment

GRI 3: MATERIAL TOPICS		
Disclosures on material topics		
3-1	Process to determine material topics	NFIS/Sustainability in the BBVA Group/Materiality analysis NFIS/Additional information/Additional information on materiality analysis
3-2	List of material topics	NFIS/Sustainability in the BBVA Group/Materiality analysis NFIS/Additional information/Additional information on materiality analysis

[(1)] The information included in this metric covers entities comprising the BBVA Group as of December 31, 2023 on a fully consolidated basis (the "Entities").

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Economic performance					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Environmental/Risks and opportunities associated with climate change NFIS/Social/Fiscal contribution and transparency NFIS/Social/Employees/Remuneration Consolidated Financial Statements (Notes 2.2.12 and 25)	Global	Climate change Employees
GRI 201 Economic performance	201-1	Direct economic value generated and distributed	The economic value generated during the 2023 financial year amounts to 29,538 million euros (2022: 24,550 million euros). The total distributed economic value is 19,733 million euros in the same period (2022: 19,185 million euros). As a result, the retained economic value (Economic value generated - Total distributed economic value) amounts to 9,837 million euros in 2023 (2022: 5,398 million euros). The amount of the distributed economic value corresponding to the financial year 2022 has been modified due to additional verifications.	Global	Inclusive growth
	201-2	Financial implications and other risks and opportunities due to climate change	NFIS/Environmental/The integration of sustainability in BBVA's financing structure	Global	Climate change
	201-3	Defined benefit plan obligations and other retirement plans	NFIS/Social/Employees/Remuneration Consolidated Financial Statements (Notes 2.2.12 and 25)	Global	Employees
	201-4	Financial assistance received from government	NFIS/Social/Fiscal contribution and transparency	Global	Inclusive growth

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Market presence					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Employees/Remuneration	Global	Employees
GRI 202 Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	NFIS/Social/Employees/Remuneration	Global	Employees
	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 92.2% on December 31, 2023 (92.4% in 2022).	Global	Employees Inclusive growth

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Indirect economic impacts					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Environmental NFIS/Social/Society/Contribution to the community	Global	Inclusive growth
GRI 203 Indirect economic impacts	203-1	Infrastructure investments and services supported	NFIS/Environmental NFIS/Social/Society/Contribution to the community	Global	Inclusive growth
	203-2	Significant indirect economic impacts	NFIS/Environmental NFIS/Social/Society/Contribution to the community	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/Social/Suppliers	Global	Inclusive growth
GRI 204 Procurement practices	204-1	Proportion of spending on local suppliers	NFIS/Social/Suppliers	Global	Inclusive growth

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Anti-corruption					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Governance/Compliance and conduct NFIS/Social/Society/Contribution to the community	Global	Integrity and ethical behavior in business

GRI 205 Anti-corruption	205-1	Operations assessed for risks related to corruption	NFIS/Governance/Compliance and conduct NFIS/Social/Society/Contribution to the community	Global	Integrity and ethical behavior in business
	205-2	Communication and training about anti-corruption policies and procedures	NFIS/Governance/Compliance and conduct	Global	Integrity and ethical behavior in business
	205-3	Confirmed incidents of corruption and actions taken	GRI 205-3(1) GRI 205-3 a), b) and c): There are no confirmed cases, that is, in which there is a firm sanction that entails its publication or final sentence in fiscal year 2023, against any of the Entities for acts related to corruption (understood to include acts of money laundering, according to the definition of the metric) attributable to the Entity. Excluded are those cases in which the entity is the victim of the unlawful conduct and those in which, because the law establishes a system of objective liability or some kind of liability for the actions of others, the Entity has to take over the amounts defrauded from a third party. GRI 205-3 d): The information refers to public and well-known cases, filed or ongoing in fiscal year 2023, against the Entities for alleged acts related to corruption (in the sense indicated in the previous sections), in which no final judgment has been issued: (i) there is an ongoing process against BBVA, S.A. for alleged violations of Law 10/2010, of April 28, on the prevention of money laundering and the financing of terrorism, which led to the imposition of a sanction prior to the 2023 financial year in the amount of 13,127,004 euros, and which has not entailed payments for the entity in fiscal year 2023. The resolution is not final, a contentious-administrative lawsuit having been filed against it, prior to 2023; (ii) the Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. ("Cenyt"). Such investigation includes the provision of services by Cenyt to BBVA. On July 29, 2019, BBVA was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. 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. Since the beginning of the investigation, BBVA has been proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As at the date of this Annual Report, no formal accusation against BBVA has been made. By order of the Criminal Chamber of the National High Court, the pre-trial phase ended on January 29, 2024. It is not possible at this time to predict the possible outcomes or implications for the Group of this matter, including any fines, damages or harm to the Group's reputation caused thereby.	Global	Integrity and ethical behavior in business

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Anti-competitive behavior					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Governance/Compliance and conduct	Global	Integrity and ethical behavior in business
GRI 206 Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	It is reported that there are 8 ongoing civil or administrative judicial processes and 1 completed in fiscal year 2023, in which it is being investigated or has been investigated whether any of the Entities have participated in alleged anti-competitive agreements or abuses of a dominant position prohibited under the applicable competition regulations, 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 2023, no sanctions have been imposed in relation to these processes, nor have any monetary losses been incurred. The process completed in fiscal year 2023 has concluded with a favorable result for the Entity. Additionally, there are 4 civil procedures underway in fiscal year 2023 for alleged violation of unfair competition regulations and 2 administrative procedures completed (with a favorable result for the Entity) that have not led to payments by the Entities in 2023 [(1) (2)].	Global	Integrity and ethical behavior in business

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Tax					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Society/Fiscal contribution and transparency Consolidated Financial Statements (Appendix XII)	Global	Integrity and ethical behavior in business
GRI 207 Tax	207-1	Approach to tax	NFIS/Social/Society/Fiscal contribution and transparency	Global	Integrity and ethical behavior in business
	207-2	Tax governance, control, and risk management	NFIS/Social/Society/Fiscal contribution and transparency	Global	Integrity and ethical behavior in business
	207-3	Stakeholder engagement and management of concerns related to tax	NFIS/Social/Society/Fiscal contribution and transparency	Global	Integrity and ethical behavior in business
	207-4	Country-by-country reporting	NFIS/Social/Society/Fiscal contribution and transparency Consolidated Financial Statements (Appendix XII)	Global	Integrity and ethical behavior in business

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Materials					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Environmental/Management of direct environmental impacts	Global	Natural capital
GRI 301 Materials	301-1	Materials used by weight or volume	NFIS/Environmental/Management of direct environmental impacts	Global	Natural capital
	301-2	Recycled input materials used	The paper that BBVA uses for consumption and that is reported in the Consumption Table is recycled or environmentally certified in most geographical areas (Argentina, Colombia, Spain, Mexico, Peru and Portugal) by 72.9%.	Global	Natural capital
	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/Environmental/Management of direct environmental impacts	Global	Natural capital
GRI 302 Energy	302-1	Energy consumption within the organization	NFIS/Environmental/Management of direct environmental impacts	Global	Natural capital
	302-2	Energy consumption outside of the organization	Energy consumption outside the organization, coming from business trips (plane and train) and employee travel, is 1,054,732 Gigajoules (GJ) with the following breakdown: * 1,027,468 GJ of Commuting of total employees * 27,264 GJ from Business Travel (train and plane travel) The conversion factors used have been calculated based on factors provided by DEFRA.		Natural capital
	302-3	Energy intensity	NFIS/Environmental/Management of direct environmental impacts(3), Evolution of the Global Eco-efficiency Plan indicators Table	Global	Natural capital
	302-4	Reduction of energy consumption	NFIS/Environmental/Management of direct environmental impacts(3), Evolution of the Global Eco-efficiency Plan indicators Table	Global	Natural capital
	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/Environmental/Management of direct environmental impacts, Carbon Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Natural capital
GRI 303 Water and effluents	303-1	Interactions with water as a shared resource	Due to the economic activity of a financial entity like BBVA, water consumption is not intensive, being only for use by employees, and for the vegetation and air conditioning of some buildings. However, BBVA has installed gray water recycling systems and rainwater recirculation for irrigation of 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 a result: - 76% of consumption has a high or extremely high extraction and demand ratio; - 9.2% of consumption has an average extraction and demand ratio; - 14.8% of consumption has a low extraction and demand ratio.	Global	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	Natural capital
	303-5	Water consumption	NFIS/Environmental/Management of direct environmental impacts	Global	Natural capital

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Biodiversity					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Environmental/Management of direct environmental 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.		
	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/ Sustainability in BBVA Group/Dialogue and discussion with customers, industry and the public sector	Global	Natural capital
	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/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management direct environmental impacts	Global	Climate change Natural capital

GRI 305 Emissions	305-1	Direct (Scope 1) GHG emissions	NFIS/Environmental/Management direct environmental impacts. Carbon 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: - CO2: 20,489.59 t CO2 - CH4: 41.18 t CH4 - N2O: 60.36 t N2O 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 Natural capital
	305-2	Energy indirect (Scope 2) GHG emissions	NFIS/Environmental/Management direct environmental impacts. Carbon 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: - CO2: 6,957.94 t CO2 - CH4: 9.03 t CH4 - N2O: 13.55 t N2O LOCATION-BASED: - CO2: 202,747.93 t CO2 - CH4: 169.81 t CH4 - N2O: 489.62 t N2O 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 Natural capital
	305-3	Other indirect (Scope 3) GHG emissions	NFIS/Environmental/Management environmental impacts. Carbon 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, a breakdown is made only for the category of business travel by train and plane by the main types of GHG: - CO_2: 28,980.86 t CO_2 - CH_4: 3.36 t CH_4 - N_2O: 144.13 t N_2O For the rest of the scope 3 categories, no data is available for the breakdown into the main types of GHG. The emission factors used are those published by DEFRA in 2023	Global	Climate change Natural capital
	305-4	GHG emissions intensity	NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management environmental impacts	Global	Climate change Natural capital

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
	305-5	Reduction of GHG emissions	NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management environmental impacts	Global	Climate change Natural capital
	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: 12,624.38 t NOx - SOx: 1,926.87 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	Natural capital

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Waste					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Environmental/Management environmental impacts. Carbon Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.	Global	Natural capital
GRI 306 Waste	306-1	Waste generation and significant waste-related impacts	NFIS/Environmental/Management environmental impacts. Carbon Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.	Global	Natural capital
	306-2	Management of significant waste-related impacts	NFIS/Environmental/Management environmental impacts. Carbon Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.	Global	Natural capital
	306-3	Waste generated	NFIS/Environmental/Management environmental impacts. Carbon Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.	Global	Natural capital
	306-4	Waste diverted from disposal	NFIS/Environmental/Management environmental impacts. Carbon Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.	Global	Natural capital
	306-5	Waste directed to disposal	NFIS/Environmental/Management environmental impacts. Carbon Footprint Table, Table of Evolution of the Global Eco-efficiency Plan Indicators.	Global	Natural capital

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Supplier Environmental Assessment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Suppliers	Global	Climate change Natural capital
GRI 308. Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	NFIS/Social/Suppliers	Global	Climate change Natural capital
	308-2	Negative environmental impacts in the supply chain and actions taken	NFIS/Social/Suppliers	Global	Climate change Natural capital

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Employment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Employees/Professional development NFIS/Social/Employees/Working environment/Work organization	Global	Employees Human Rights
GRI 401 Employment	401-1	New employee hires and employee turnover	NFIS/Social/Employees/Professional development	Global	Employees
	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 that BBVA presents in the fiscal period, 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 conditions appropriate 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 of the period.		
	401-3	Parental leave	NFIS/Social/Employees/Working environment/Work organization	Global	Employees Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Labor/Management relations					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Employees	Global	Employees Human Rights
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	Employees Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Occupational health and safety					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
GRI 403 Occupational health and safety	403-1	Occupational health and safety management system	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-2	Hazard identification, risk assessment, and incident investigation	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-3	Occupational health services	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-4	Worker participation, consultation, and communication on occupational safety and health	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-5	Worker training on occupational safety and health	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-6	Promotion of worker health	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-8	Workers covered by an occupational health and safety management system	NFIS/Social/Employees/Working environment/Occupational safety and health	Global	Employees
	403-9	Work-related injuries	NFIS/Social/Employees/Working environment/Occupational safety and health	Spain	Employees
	403-10	Work-related ill health	NFIS/Social/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	Employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Training and education					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Employees/Professional development	Global	Employees
GRI 404 Training and education	404-1	Average hours of training per year per employee	NFIS/Social/Employees/Professional development	Global	Employees
	404-2	Programs for upgrading employee skills and transition assistance programs	NFIS/Social/Employees/Professional development	Global	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	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/Social/Employees/Professional development Annual Corporate Governance Report NFIS/Social/Employees/Remuneration	Global	Employees
GRI 405 Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	NFIS/Social/Employees/Professional development Annual Corporate Governance Report The age groups into which the workforce details are broken down are: under 30 years old; between 30 and 39 years old; between 40 and 49 years old; greater than or equal to 50 years.	Global	Employees
	405-2	Ratio of basic salary and remuneration of women to men	NFIS/Social/Employees/Remuneration	Global	Employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Non-discrimination					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Employees/Professional development/Diversity and inclusion NFIS/Social/Commitment to Human Rights	Global	Human Rights Employees
GRI 406 Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	During 2023, the sexual harassment protocol was activated in the Group on 25 occasions (in 2022, 13 occasions), with the existence of sexual harassment being confirmed in 22 cases (in 2022, 8 cases) that ended in the dismissal of the people reported. In 2023, the workplace harassment protocol has been activated on 2 occasions, and harassment has not been confirmed in any of them. NFIS/Social/Employees/Professional development/Diversity and inclusion NFIS/Social/Commitment to Human Rights	Global	Human Rights Employees

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/Social/Suppliers NFIS/Social/Employees/Working environment/Freedom of association and representation	Global	Human Rights 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 Employees

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Child labor					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/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/Social/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/Social/Commitment to Human Rights	Global	Human Rights
GRI 410 Security practices	410-1	Security personnel trained in human rights policies or procedures	In most geographical areas where BBVA operates, national legislation requires security guards to have specific licenses or official training. These training programs include elements directly related to respecting human rights. In areas where specific licensing is not required by national law, BBVA mandates that service providers undergo training that covers various topics, including human rights. As part of the improvement plan resulting from the Human Rights Due Diligence Plan conducted in 2021, a periodic analysis and monitoring of the actions of these services within BBVA Group facilities are conducted. The focus is on potential misuse of force. During 2023, no incidents related to this matter were detected.	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/Sustainability in the BBVA Group/Dialogue and discussion with customers, industry and the public sector	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 communities. When this circumstance arises, the free, prior and informed consent (FPIC) of these communities must be obtained, regardless of the geographical location of the project. This means extending the current requirement for FPIC to all countries where the Group operates. In 2023, a total of 54 operations have been assessed (in 2022: 40 operations) (4).	Global	Human Rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Society					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Society/Contribution to the community NFIS/Sustainability in the BBVA Group/Dialogue and discussion with customers, industry and the public sector	Global	Inclusive growth Integrity and ethical behavior in business Human rights
GRI 413 Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	NFIS/Sustainability in BBVA Group/Discussions and dialogue with clients, industry and with the public sector NFIS/Social/Society/Contribution to the community NFIS/Additional information/Operations analyzed under the Equator principles	Global	Inclusive growth Integrity and ethical behavior in business Human rights
	413-2	Operations with significant actual and potential negative impacts on local communities	NFIS/Sustainability in the BBVA Group/Dialogue and discussion with customers, industry and the public sector 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 Integrity and ethical behavior in business Human rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Supplier Social Assessment					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Suppliers		Inclusive growth Integrity and ethical behavior in business Human rights
GRI 414. Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	NFIS/Social/Suppliers	Global	Inclusive growth Integrity and ethical behavior in business Human rights
	414-2	Negative social impacts in the supply chain and actions taken	NFIS/Social/Suppliers	Global	Inclusive growth Integrity and ethical behavior in business Human rights

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Public policy					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Governance/Compliance and conduct NFIS/Social/Society/Contribution to the community	Global	Integrity and ethical behavior in business
GRI 415 Public policy	415-1	Political contributions	BBVA's policy in countries does not allow contributions of this type NFIS/Governance/Compliance and conduct NFIS/Social/Society/Contribution to the community	Global	Integrity and ethical behavior in business

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/Social/Customers NFIS/Governance/Compliance and conduct	Global	Customers: Accessibility of commercial channels and financial health Integrity and ethical behavior in business
GRI 417 Marketing and labeling	417-1	Requirements for product and service information and labeling	The General Customer Conduct and Product Governance Policy, as well as the Product Governance Standard that develops it, establish the principles and provisions to be observed to address the interests of customers throughout the product life cycle. The Operational Risk Admission and Product Governance Committee evaluates, among others, the information and labeling requirements of products prior to their launch. For more details on other measures or lines of action promoted by BBVA in the field of information and labeling of products and services, consult the section "2.3.2 Customers - Customer Protection Framework" within chapter "2.3 Social" of this report [5].	Global	Customers: Accessibility of commercial channels and financial health Integrity and ethical behavior in business
	417-2	Incidents of non-compliance concerning product and service information and labeling	In 2023, no fines, sanctions or warnings issued by supervisory bodies have been identified publicly to BBVA Group entities as of December 31, as a result of non-compliance with regulations or voluntary codes related to the information and labeling of products and services.	Global	Customers: Accessibility of commercial channels and financial health Integrity and ethical behavior in business
	417-3	Incidents of non-compliance concerning marketing communications	In 2023, no fines, sanctions or warnings issued by supervisory bodies publicly to BBVA Group entities as of December 31 have been identified as a result of non-compliance with regulations or voluntary codes related to marketing communications.	Global	Customers: Accessibility of commercial channels and financial health Integrity and ethical behavior in business

Indicator			Chapter/Section	Scope	Material aspects identified and coverage
Customer privacy					
GRI 3 Material topics	3-3	Management of material topics	NFIS/Social/Customers/Security and protection NFIS/Social/Customers/Customer care NFIS/Governance/Compliance and conduct	Global	Cibersecurity Responsible use of data Customers: Accessibility of commercial channels and financial health
GRI 418 Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	NFIS/Social/Customers/Security and protection NFIS/Social/Customers/Customer care NFIS/Governance/Compliance and conduct 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 Customers: Accessibility of commercial channels and financial health

[1] The information included in this metric covers entities comprising the BBVA Group as of December 31, 2023 on a fully consolidated basis (the "Entities").

[2] The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense costs of the parties), by the entity in question, during the financial year 2023.

[3] 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.

[4] It is only reported on operations analyzed in relation to compliance with the Equator Principles.

[5] 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, 2023, as well as other measures or lines of action promoted by said entities in the field of information transparency.

2.5.4 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 with a history of more than 165 years and a customer-focused vision, which currently has more than 71 million active customers and more than 121,000 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 2023, BBVA had more than 775 billion in assets, 71.5 million active clients and 5,949 offices. BBVA focuses its business mainly on retail banking, business banking, and corporate and investment banking (Corporate & Investment Banking).	See section: "1. BBVA in brief" "1.1 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 2019 BBVA incorporated sustainability as one of its 6 strategic priorities at a global level, placing sustainability as a business strategy. The sustainability strategy focuses on: 1. Promote new business through sustainability. 2025 objective of channeling sustainable business for an amount of 300,000 million euros (to contribute to the fight against climate change and inclusive growth). 2. Achieve Zero Net Emissions in 2050 with the setting and management of intermediate decarbonization objectives by 2030 in the oil and gas, power generation, autos, steel, cement, coal, aviation and shipping sectors. See more detail in the sections indicated in this annual report.	See sections: "1. BBVA in brief" "1.2. BBVA Group strategy" "2.1. Sustainability in BBVA Group"
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 website) takes as a reference point the United Nations Guiding Principles on Business and Human Rights. Its purpose is to guide the entire organization in its strategic vision, in its operations and in the relationship with its interest groups. 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 in the negotiation phase) that require reporting or disclosure of ESG aspects and which BBVA is monitoring: ▰ CSRD (Corporate Sustainability Reporting Directive) and the sustainability reporting standards of EFRAG (European Financial Reporting Advisory Group) and ISSB (International Sustainability Standards Board). ▰ CSDDD (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 ▰ ITS (Implementing Technical Standards) de la EBA on Pillar 3 disclosures on Environmental, Social and Governance (ESG) risks ▰ SFDR (Sustainable Finance Disclosure Regulation) y 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 incorporated elements of a Transition Plan for the first time following the guides and recommendations for financial institutions published by Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.	See sections: "2.1.4 Dialogue and discussion with customers, industry and the public sector" "2.2. Environmental" "2.3. Social" See "BBVA and Human Rights" on the shareholders and investors website.
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 areas of impact and determine priority areas for establishing 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 2023, BBVA has updated the impact analysis using version 3 of the UNEP FI Portfolio Impact Analysis Tool for Banks. The business areas of Consumer Banking (retail portfolio) and Institutional Banking (wholesale portfolio) have been included. The Investing Banking business area has not been considered since it represents less than 1% of the BBVA Group's gross margin. The BBVA Group's Institutional Banking activity has been updated with 2023 values in Spain, Mexico, Peru, Colombia and Argentina; and the 2022 values have been maintained for the Group's activity in Turkey and in Consumer Banking. Activity in Chile, Uruguay and Venezuela and a small part of Turkey's corporate banking portfolio have not been considered, which are not significant. 2. Likewise, BBVA has carried out an evaluation of the dependencies and impacts in relation to natural capital using the ENCORE tool. 3. Furthermore, in line with the United Nations Guiding Principles on Business and Human Rights, since 2018 BBVA has carried out Human Rights due diligence processes with the aim of preventing, mitigating and remedying potential impacts on human rights. The results of the same are published in the Human Rights Action Plan 2021-22&23.	See section: "2.2. Environmental", especially "2.2.1. Risks and opportunities associated with climate change" and "2.3. Social", "2.3.5. Commitment to Human Rights" BBVA and Human Rights, available on the BBVA shareholders and investors website Human Rights Action Plan 2021-22 & 2023, available on the BBVA shareholders and investors website Financial information in addition to 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.	Composition of the portfolio by geography by type of business, 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 clients continue to be: Home loans/mortgages and 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: 59.9% Spain, 20.8% Mexico, 10.8% Turkey, 4.3% Peru, 3.3% Colombia and 0.9% Argentina. The most relevant sectors at the Exposure at Default level are: Public administration and defence; compulsory social security Electricity, gas, steam and air conditioning supply Wholesale trade, except of motor vehicles and motorcycles Real estate activities As of the date of publication of this report, the Consumer Banking and Institutional Banking data of Turkey are data as of May 2022, while the Institutional Banking data of the rest of the countries are data as of July 2023.	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.	In 2023, the context analysis carried out in 2022 for Argentina, Colombia, Peru, Spain, Turkey and Mexico carried out in the UNEP FI Portfolio Impact Analysis Tool for Banks "Context Module" has been maintained. 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 was contrasted in 2022 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 considers these issues as the main focuses of action in terms of sustainability.	Impact Analysis Tool for Banks UNEP-FI. BBVA's global sustainability policy available on the BBVA 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 it can have a significant impact due to the activity it carries out: ▰ Climate Change: with a focus on Electric Transportation, Energy Efficiency, Renewable Energy… ▰ Inclusive growth: with a focus on financial inclusion, entrepreneurship, social infrastructures… BBVA has established: 1. Climate Change. BBVA has set objectives linked to the decarbonization of its portfolio for the first area of significant impact. The 8 sectors for which 2030 decarbonization objectives have been published are: oil and gas, power generation, autos, steel, cement, coal, aviation and shipping. 2. Inclusive Growth. In 2023 BBVA has set objectives for the second significant area of impact. As a signatory of the Collective Commitment for Education and Financial Inclusion promoted by UNEP FI and within the framework of the guidelines for banks for the "Establishment of objectives for Financial Inclusion and Health", BBVA has set the objective of supporting until 2025 4 .5 million unbanked or underbanked entrepreneurs to improve their financial resilience by providing them with effective access to financial and non-financial products.	See sections: "2.1.2. Materiality analysis" "2.1.3. Sustainability in business development" "2.2. Environmental" ("2.2.4. Management of direct environmental impacts") "2.3. Social" TCFD 2022 Report (fourth report)

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 types of clients or areas where the financing activity has a greater positive and negative impact, establishing objectives that it monitors on a recurring basis. When identifying these sectors and clients, the following has been taken into account. (i) The main business areas: retail banking, business banking and corporate and investment banking (Corporate & Investment Banking) (ii) The countries in which it operates. (iii) The composition of the portfolio by sectors 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 impact area.	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 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) objectives, in line with science and the most ambitious objectives of the Paris Agreement, in two areas identified as "areas of most significant impact": "Climate Change" and "Inclusive Growth" in 2023.

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 as reference the Net Zero scenario of the International Energy Agency (IEA_NZE) and the Institute for Sustainable Futures Sectoral Pathways to Net Zero Emissions (ISF NZ) and the IMO (International Maritime Organization) Strategy on emissions reduction for Shipping. BBVA will measure performance through the following units of measurement: 1. Emission intensity per unit of production for 5 sectors (power generation, autos, steel, cement and aviation). 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 to calculate the attribution factor. The primary source of emissions data has been the database provided by an independent third party. 3. Total commitment measured in millions of euros for the coal sector. 4. Alignment delta measured in percentage for the shipping sector. In 2023, BBVA has published the progress in the decarbonization of its clients to show progress in its own Transition Plan. In 2022, BBVA was one of the first in the world to apply the recommendations for defining its transition plan in accordance with the Glasgow financial alliance for net zero emissions (GFANZ). "Target 2: Inclusive growth: Inclusion and Financial Health In 2023, the BBVA Group establishes the objective of supporting 4.5 million entrepreneurs with little or no banking services until 2025, starting with a base of 2.5 million in 2021, based on UNEP's "Commitment to Financial Health and Inclusion". FI .Alignment of BBVA's business with the SDGs, specifically with: SDG 1 (End of poverty), SDG 5 (gender equality), SDG 8 (Decent work and economic growth), SDG 9 (Industry, Innovation and Infrastructure) , SDG 10 (Reduced inequalities) and SDG 17 (Partnerships for the goals).	See sections: "1.2. BBVA Group Strategy" "2.1. Sustainability in BBVA Group" "2.2.2. Risk management associated with climate change and environmental factors" "2.2.3 Alignment of the loan portfolio with the Paris Agreement" "2.3. Social"
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 (power generation, autos, steel, cement and coal) and the year 2021 for the oil and gas sector. In 2023, BBVA has announced decarbonization objectives in two additional sectors such as aviation and shipping based on year 2022. Target 2:Inclusive growth: Inclusion and Financial Health Base year 2021 to 2025	See sections: "2.2.2. Management of risks associated with climate change and environmental factors", "2.2.3 Alignment of the loan portfolio with the Paris Agreement" "2.3. Social"

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). Intermediate decarbonization objectives by 2030 for 8 sectors (oil and gas, power generation, autos, steel, cement, coal, aviation and shipping). Target 2. Inclusive growth: Inclusion and Financial Health Monitoring indicators: ▰ Number of unbanked or under-banked entrepreneurs served during this period ▰ Percentage of clients who overcome vulnerability after five years of support and financing.	See sections: "2.2.2. Management of risks associated with climate change and environmental factors", "Identification, measurement and integration of climate change in risk management" and "2.2.3 Alignment of the loan portfolio with the Paris Agreement" "2.3. Social"
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 an integrated governance framework, among others, by those responsible for the Business, Risk, Sustainability and Strategy areas that report directly to senior management. and to the corporate bodies: the Sustainability Alignment Steering Group (SASG). 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 operations of risk and business processes: Transition Risk Indicator, Client Toolkit, Alignment Dashboard and What if Simulator. Likewise, sectoral plans have been developed in the oil and gas, power generation, autos, steel, cement, coal, aviation and shipping sectors, 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 Sector Frameworks. The negative impact is mitigated and reduced through processes detailed in section 5.3. of this table (Environmental and Social Framework, Equator Principles and human rights due diligence process). Target 2. Inclusive growth: Inclusion and Financial Health milestones and action plan. Among the action plans, the development of technological solutions to bring financial services and training to small entrepreneurs stands out. In 2024, BBVA is exploring the viability of creating local financial inclusion plans in the Group's different geographies.	See sections: "2.2.2. Management of risks associated with climate change and environmental factors - and 2.2.3 Alignment of the loan portfolio with the Paris Agreement" "2.2.4. Management of direct environmental impacts" "2.3. Social"

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:	Second area of greatest impact:
Target 1. Climate Change (decarbonization)	**Target 2. Inclusive Growth**
BBVA has set targets in this area of impact	BBVA has set targets in this area of impact in 2023.
Alignment: Yes	Alignment: Yes
Base Year: Yes	Base Year: Yes
SMART goals: Yes	SMART goals: Yes
Action plan: Yes	Action plan: Yes

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 necessary actions to meet the objectives of "Climate Change" and "Inclusive Growth".

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 8 sectors for which decarbonization objectives have been defined, the chosen metrics, the scope of emissions considered, the data for the base year, the data as of 31/12/2023 (degree of annual progress), the methodology used and the decarbonization objective for 2030 measured in percentage reduction over the base year. See table with the details in the references to chapters of this report in the right column. Target 2. Inclusive growth: Financial inclusion and financial health: Monitoring indicators: ▰ Number of unbanked or under-banked entrepreneurs served during this period ▰ Percentage of clients who overcome vulnerability after five years of support and financing. 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 mobilizing sustainable business (target: 300,000 million euros between 2021-2025). Between 2018 and 2022, BBVA has mobilized 135,871 million euros. Furthermore, from 2021 to 2023, the BBVA Group has supported around 3.9 million entrepreneurs with little or no banking services. ▰ BBVA has reduced its direct CO_2 emissions by 16% compared to 2015 (Target: -68%) and 96% of the energy contracted by BBVA is renewable (Target: 70% in 2025 and 100% in 2030). ▰ Commitment to the Community 2025 (goal: 550 million euros and 100 million beneficiaries between 2021 and 2025): BBVA carries out semiannual monitoring. At the end of 2023, around 399 million euros have been allocated to investment in the community (226 million euros at the end of 2022)	See sections: "2.2.2. Risk management associated with climate change and environmental factors" and "2.2.3 Alignment of the loan portfolio with the Paris Agreement" "2.2.4. Management of direct environmental impacts" "2.3. Social"

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 areas of impact and determine priority areas for establishing objectives.
BBVA has established and published objectives that address 2 areas of greatest impact identified in its impact analysis, such as "Climate Change" and "Inclusive Growth".
BBVA is implementing actions to meet both objectives.

<table>
<tr><td colspan="3">Principle 3: CLIENTS
Working responsibly with customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</td></tr>
<tr><td>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.</td><td>This Annual Report details how the integration of ESG aspects is carried out in the relationship and involvement with clients, whether in ESG support and involvement with wholesale clients (corporate and institutional) and companies, or in ESG support and involvement. with retail clients. See references in the right column.

By the end of the financial year 2023, more than 330 groups have been analyzed under the Environmental and Social Framework and BBVA has initiated a dialogue and support plan with 11 groups.</td><td>See sections:

"2.1.6 Governance Model"
"2.1.3 Sustainability in business development"</td></tr>
<tr><td>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.).</td><td>Sustainability is a growth lever for BBVA and 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 2023, BBVA has mobilized a total of 205,603 million euros in sustainable business.

During 2023, BBVA has developed solutions and specific product offerings to promote financial inclusion and increase the banking coverage of individuals in those geographies where the Group operates, thus managing to channel 750 million euros this year.</td><td>See sections:

"2.2.1. Risks and opportunities associated with climate change"
"2.3.2. Customers" within the chapter "2.3. Social"</td></tr>
<tr><td colspan="3">Please provide your bank's conclusion/statement if you have met the requirements regarding Principle 3 Clients
BBVA works responsibly with its clients to promote sustainable practices and enable economic activities that generate shared prosperity for current and future generations.</td></tr>
<tr><td colspan="3">Principle 4: Interested parties
Proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve societal objectives.</td></tr>
<tr><td>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.</td><td>In accordance with the General Sustainability Policy, BBVA integrates into its businesses and activities the concerns of its interest groups (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, the 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 clients, non-clients, 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 strengthen. In 2022, a consultation process has been carried out with key interest groups. 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 interest groups, which revolve around various priority areas such as Universal Reference Frameworks, decarbonization in line with the Agreement of Paris, market standards, transparency and financial regulation.</td><td>See sections:

"2.1.2. Materiality analysis"
""2.1.4 Dialogue and discussion with customers, industry and the public sector"
"2.2.2. Risk management associated with climate change and environmental factors"
"2.3.5. Commitment to Human Rights" within the chapter "2.3. Social"</td></tr>
<tr><td colspan="3">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 relevant stakeholders to achieve established objectives.</td></tr>
<tr><td colspan="3">Principle 5: Government and culture
Implement commitment to these Principles through effective governance and a responsible banking culture</td></tr>
</table>

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 (in areas linked to strategy and transformation) and CEO and to the Board of Directors. The BBVA Board of Directors has approved the decarbonization objectives (Target 1. Climate Change) and receives information on the degree of compliance periodically according to the established governance model (through the Global Sustainability Area and the Sustainability Alignment Steering Group). It should be noted that in 2023, the Corporate Bodies have generally received, every two months, specific reports on sustainability matters, from the head of the Global Sustainability Area, the Head of the Talent and Culture Area or the Global Head of Risks, as well as various reports from the different areas of the Group in which issues related to sustainability have been addressed. In 2023, the Remuneration Policy for BBVA Directors and the General Remuneration Policy of the BBVA Group has included, as part of the Annual Variable Remuneration of the members of the Identified Group, including executive directors and members of Senior Management of BBVA, a long-term incentive linked, among others, to the degree of compliance with the decarbonization objectives of a series of sectors for which the Bank publishes specific objectives.	See sections: "2.1.6 Governance model" "Remuneration" within the chapter "2.3.3 Employees".
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 the Group's professionals can address sustainability from their different areas. of activity. This report details the number of employees trained in sustainability and transition plans. In addition, the remuneration of all employees is linked to sustainability objectives. Specifically, the non-financial indicators used in 2023 to calculate the Annual Variable Remuneration of all employees include the Sustainable Business Mobilization indicator. Likewise, in the variable remuneration scheme for executive directors and senior management, an indicator linked to the decarbonization of a series of sectors for which the Bank publishes specific objectives (with a specific weight of 15%) has been included, which reinforces the support of both the president, the CEO, and senior management so that BBVA achieves its objectives, in line with the strategic priority of "Helping customers in the transition to a sustainable future."	See section: "Training" section in the chapter "2.3.3 Employees"
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 evaluation of sectors sensitive to transition risk, quantification of exposure to carbon-sensitive sectors and setting of portfolio decarbonization objectives in 8 sectors intensive in CO_2 emissions. Following international reference frameworks such as the Materiality Map of SASB and rating agencies, BBVA has identified the sub-sectors of activity it finances and the most relevant environmental and social factors of each one. This is used as a support tool in the admission process. In 2023, BBVA has updated the heat map of impacts and dependencies on natural capital that it carried out during 2022. It has been used predominantly the methodology of the ENCORE tool, which is also consistent with aspects contained in other reference tools such as the SBTN Materiality Screening Tool, developed by the Science Based Target Network (SBTN) and has been included, qualitatively, the impacts and dependencies of the value chain (the dependencies and impacts of the upstream sector of each of the financed sectors have been included). Sectors that have a high or very high dependence on natural capital represent 5.32% of the EAD of wholesale banking December 31, 2023 while those sectors with a high or very high impact represent 27.39%. As a result of this analysis, five sectors have been identified as having an impact and/or dependence on natural capital. significant: (1) Agriculture, livestock and fishing (primary production) ; (2) Production of food, beverages and tobacco (excluding primary sector); (3) Construction and hotel sector; (4) Mining and (5) Electricity generation: For the five prioritized sectors, the relevant metrics have been identified in accordance with the reporting frameworks. such as ISSB (International Sustainability Standards Board), ESRS (European Sustainability Reporting Standards), GRI or TNFD (Task Force on Nature-related Disclosure) and have been obtained these metrics for the main clients in each of those sectors. The evaluation of these metrics allows informing the client admission process, identifying those metrics to take into account in the Know Your Client (KYC) and offering references both for the definition of risk mitigation criteria and for advisory with clients.	See sections: ""2.1.4 Dialogue and discussion with customers, industry and the public sector" "Identification and measurement of other environmental risks" of section "2.2.2. Risk management associated with climate change and environmental factors" "2.3.5. Commitment to Human Rights" in the chapter "2.3. Social"

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 President, BBVA has reinforced 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 decarbonization.
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 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 Auditors, S. L., in its capacity as 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 ☒ 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 on 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 incorporated elements of a Transition Plan for the first time following the guides and recommendations for financial institutions published by Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.	See section: "2.5.5. 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 decarbonization objectives in other significant sectors according to the Net Zero Banking Alliance guidelines. ▰ Continue measuring annual progress on the degree of progress of decarbonization metrics. ▰ Develop plans for funding portfolio alignment for sectors for which you publish decarbonization targets. ▰ Update existing financing portfolio alignment plans, considering the impact and dependencies derived from natural capital. ▰ Continue measuring financed emissions from other portfolios and other geographic areas additional to Spain, Mexico, Colombia and Peru. ▰ Publish information on the risks and opportunities of climate change in accordance with the Task Force on Climate Financial Disclosures (TCFD) standard and incorporate elements of a Transition Plan following the guides and recommendations for financial institutions published by 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. BBVA's progress in implementing these principles is published annually in the BBVA Group Annual Report. Additionally, the subsidiaries, BBVA Garanti (Turkey) and BBVA Mexico, as signatories of the Banking Principles Responsible locally, they 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 society's objectives.
BBVA has continued to reinforce transparency with the publication of its fourth TCFD report, SASB metrics and WEF/IBC Stakeholder Capitalism Metrics, as well as decarbonization objectives for its portfolio. It has also increased its goal of mobilizing sustainable finance to 300 billion euros, and has published new objectives and new sectors related to the decarbonization of its portfolio. It maintains its objective regarding its support for investment in the community. In addition, in 2023 BBVA has set objectives in the impact area of Inclusive Growth in 2023. To do so, it is using the guidelines for banks for the "Establishment of objectives for Inclusion and Financial Health" of UNEP-FI.

2.5.5 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 2023, 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.

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.	BBVA in brief/BBVA Group strategy. Our objectives NFIS/Environmental
Quality of governing body	Governing body composition	GRI (2-9), GRI (405-1a), IR 4B.	Annual Corporate Governance Report (hereinafter, IAGC): 5.1 Composition of the Board of Directors and 5.1.3 Directors who make up the Board
Stakeholders engagement	Material issues impacting stakeholders	GRI (2-12), GRI (2-29, GRI (3-2).	NFIS/Sustainability in the BBVA Group/Materiality analysis 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/Governance/ 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/Governance/ 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/Sustainability in the BBVA Group/Sustainability in business development NFIS/Enrivonmental/Risks and opportunities associated with climate change NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Social/Customers NFIS/Social/Customers/Security and protection Risk management/General risk management and control model
PLANET			
Climate change	Greenhouse gas (GHG) emissions	GRI (305:1-3), Task Force on Climate-Related Financial Disclosures (hereinafter, TCFD) recommendations, GHG Protocol.	NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management of direct environmental impacts.Carbon Footprint Table, Evolution of the Global Ecoefficiency Plan Indicators Table

	TCFD implementation	TCFD Recommendations; CDSB R01, R02, R03, R04 y R06; SASB 110; Science Based Targets initiative.	NFIS/Sustainability in BBVA Group NFIS/Environmental BBVA TCFD report 2022
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/Environmental/Management of direct environmental impacts. Carbon 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: - 76% of the consumption has a high or extremely high extraction and demand ratio; - 9.2% of the consumption has a medium extraction and demand ratio; - 14.8% of the consumption has a low extraction and demand ratio.
PEOPLE			
Dignity and equality	Diversity and inclusion.	GRI (405-1b).	NFIS/Social/Employees/Professional development
	Pay equality (%).	GRI (405-2).	NFIS/Social/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/Social/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. NFIS/Tables of Contents/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/Social/Employees/Working 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/Social/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/Social/Employees/Professional development
	Economic contribution.	GRI (201-1), GRI (201-4).	NFIS/Tables of Contents/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 2023 amounted to 1,151 million euros (1,031 million euros in 2022).
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/Social/Fiscal contribution and 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	BBVA in brief/BBVA Group Strategy NFIS/Sustainability in the BBVA Group/Governance model
Quality of governing body	Progress against strategic milestones	EPIC	BBVA in brief/BBVA Group Strategy NFIS/Sustainability in the BBVA Group/ESG strategy and objectives
	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/Social/Employees/Remuneration NFIS/Sustainability in the BBVA Group/ESG strategy and objectives

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 activities are aligned with its objectives. These include sectoral associations, employers' organizations, chambers of commerce, and prestigious Think Tanks that conduct studies on regulatory, financial, digital, sustainability, financial inclusion, and financial education matters in countries where the Group has relevant presence. BBVA endeavors to participate in sectoral representation forums in countries where it has a presence. It also collaborates with public-private institutions operating in its geographic scope, especially in Latin America, Spain, and Turkey, such as foundations or non-profit organizations. These Foundations aim to develop economic, cultural, educational, and rights-based relationships among countries. These collaborations add to the intellectual contribution aimed at promoting sector transformation, directly driven by the Group through its research activities and analysis development in its research department. These institutional activities are always conducted with utmost transparency, without interfering, conditioning, or influencing the political pluralism of the societies in which the Group operates. On the other hand, BBVA supports the Sustainable Finance Action Plan of the European Commission, which has been a very positive first step in guiding investments toward sustainable activities and projects. The bank has been involved in consultative processes and various activities with regulatory and supervisory bodies to promote sustainable financial regulation. As in previous exercises, it has taken an active role in the framework of future EU legal initiatives.
	Monetary losses from unethical behaviour	SASB 510a.1	This metric reports monetary losses incurred by the Entities in fiscal year 2023 derived from judicial or administrative procedures, either due to bad practice or non-compliance with applicable regulations, in which the Entity is condemned for having caused acts of insider trading, price manipulation, anti-competitive agreements and abuses of dominant position, acts of corruption, fraud and money laundering attributable to the Entity. Excluded are those cases in which the entity is the victim of the unlawful conduct and those in which, because the law establishes a system of objective liability or some kind of liability for the actions of others, the Entity has to take over the amounts defrauded from a third party. There are no monetary losses incurred in 2023 by the Entities due to rulings imposed for acts of insider trading. In relation to market regulatory rules on the prevention of price manipulation, monetary losses of 22,625 euros were incurred in fiscal year 2023 derived from a sanction imposed by the Chicago Mercantile Exchange in accordance with the operating regulations of said market. For issues related to anti-competitive agreements and abuses of dominant position, please refer to the information included in the GRI 206 metric. For issues related to acts of corruption, fraud and money laundering attributable to the entity, please refer to the information included in the GRI 205-3 metric (1).
Risk and opportunity oversight	Economic, environmental and social topics allocation framework	CDSB REQ-02	NFIS/Sustainability in the BBVA Group/The integration of sustainability in BBVA's financing structure
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/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management of direct 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/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Management of direct environmental impacts
Nature loss	Land use and ecological sensitivity		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: 12,624.38 t NOx - SOx: 1,926.87 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		As a result of the initiatives carried out in previous years, the value is not reported as it is considered not relevant.
	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/Social/Employees/Remuneration
	Discrimination and harassment incidents (#) and the total amount of monetary losses ($)	GRI 406-1, Adapted from SASB FR-310a.4	NFIS/Social/Employees/Professional development/Diversity and inclusion NFIS/Table of Contents/GRI Standards Content Index
	Freedom of association and collective bargaining at risk (%)	SASB CN0401-17, GRI 407-1, WDI 7.2	NFIS/Social/Employees/Working 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/Social/Commitment to Human Rights
	Living wage (%)	MIT Living Wage Tool, EPIC	NFIS/Social/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/Social/Employees/Working 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/Social/Employees/Professional development/Training
	Monetized impacts of training – Increased earning capacity as a result of training intervention (%, $)	Adapted from OECD, WDI 5.5	NFIS/Social/Employees/Professional development/Training
PROSPERITY: EXPANDED METRICS AND DISCLOSURES			
Employment and wealth generation	Infrastructure investments and services supported	GRI 203-1	NFIS/Social/Society/Contribution to the community
	Significant indirect economic impacts	GRI 203-2	NFIS/Social/Society/Contribution to the community
Innovation of better products and services	Social value generated (%)	Adapted from GRI (FiFS7 + FiFS8) and SASB FN0102-16.a, EPIC	BBVA is working to develop methodologies that allow it to calculate this ratio and to be able to report this metric in future financial years.
	Vitality Index Percentage of gross revenue from product lines added in last three (or five) years, supported by narrative that describes how the company innovates to address specific sustainability challenges	Adapted from OECD Oslo Manual Section 8.3.1	BBVA is working, through the involvement of different areas of the Company, to develop systems in order to indetify new product lines that allow addressing specific sustainability challenges and be able to report this metric in future financial years.
Community and social vitality	Total Social Investment ($)	CECP Valuation Guidance	NFIS/Social/Society/Contribution to the community
	Additional tax remitted	Adapted from GRI 201-1	NFIS/Social/Society/Fiscal contribution and transparency
	Total tax paid by country for significant locations	Adapted from GRI 201-1	NFIS/Social/Society/Fiscal contribution and 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 information included in this metric covers entities comprising the BBVA Group as of December 31, 2023 on a fully consolidated basis (referred to as the "Entities"). The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense costs of the parties), by the Entity concerned, during the year 2023, excluding those derived from purely internal claims (customer care services or customer ombudsman). The exchange rate applied is the Fixing Rate at 31/12/2023.

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..	FN-CB-230a.1	NFIS/Social/Customers/Security and protection
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	NFIS/Social/Customers/Security and protection NFIS/Governance/Compliance and conduct
Financial inclusion and capacity building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development.	FN-CB-240a.1	In relation to loans to vulnerable people and entrepreneurs, in 2023, almost 400,000 loans were granted in Spain, Mexico, Peru and Turkey. Furthermore, in Argentina, almost 10,000 vulnerable people have had access to credit concessions through the financial product offered by BBVA Argentina, known as “Vos credit card”, after having gone through a process of accessing loans based on promoting savings in this client typology. In relation to the amount, at a global level, loans granted to vulnerable clients and small businesses amount to 2,075 million euros. Below is more detail: Argentina: 4.5 million euros. Colombia: 77.2 million euros. Mexico: 274.6 million euros. Peru: 37.1 million euros. Turkey: 841.6 million euros. Spain: 853.3 million euros.
	(1) Number and (2) amount of past due and non-accrual loans qualified to programs designed to promote small business and community development.	FN-CB-240a.2	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.	FN-CB-240a.3	During 2022, BBVA developed the first Social Sustainability Standard through which the population segments or clients that are considered to be in a situation or at risk of vulnerability are identified, including unbanked people or people who are underbanked due to their vulnerability, and which are therefore a priority objective of inclusive growth activities. To identify these segments, and the clients that fall into them, certain thresholds have been defined associated with the income levels of people, which in each geography, represent a barrier to their full participation in said financial system. These thresholds allow us to identify the most vulnerable customers and also offer them, among other services, access to a free checking account in some of the geographies in which the Group operates. To be considered a vulnerable customer and have access to specific products, such as cards or free accounts, a customer must meet certain income requirements, which differ depending on the geography in which they are located and which are updated periodically: 1. Spain: Any individual whose income is less than or equivalent to 600 euros per month or 7,200 euros per year (1 time the IPREM) 2. Mexico: - Monthly income of a person with payroll: up to 10,000 Mexican pesos; - Monthly income of a person without payroll: average monthly balance of up to 1,500 Mexican pesos 3. Turkey: All clients with income less than 8,500 Turkish lira. Since Garanti BBVA does not have a formally defined level for low per capita income, the Bank will accept the gross minimum wage 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 into low-income segments. 4. Argentina: - Minimum Living and Mobile Wage (SMVM). This indicator is reviewed monthly due to the country's economic situation (in December 2023 it was 156,000 Argentine pesos for monthly full-time workers and 780.00 Argentine pesos per hour for daily workers). The SMVM value will be taken multiplied by a correction factor (1.35). - People without payroll: Average balance value: assets + liabilities less than 3,900 Argentine pesos (Updated monthly) - Retirees and pensioners who meet the income thresholds of factor 1 and/or 2 5. Colombia: Income of up to 1,117,172 Colombian pesos (Minimum Wage + Transportation Assistance) 6. Peru: - For banked people: Individual payroll up to ≤ 1,400 Peruvian soles and Non-nominated income up to ≤ 1,400 Peruvian soles - For unbanked people: Income between 1,000 Peruvian soles and 2,000 Peruvian soles. They must not belong to the Prime, Wealth or Private Banking segment. As of December 31, 2023, the number of free accounts for previously unbanked or underbanked customers amounts to almost 5.3 million accounts. In particular they were: 1,246 in Spain, 1,552,911 in Mexico, 3,610,938 in Turkey, 30,663 in Argentina and 89,234 in Colombia.
Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers.	FN-CB-240a.4	In the scope of the activity carried out to promote the financial inclusion of unbanked groups and improve the health and financial resilience of customers (individuals, entrepreneurs and owners or managers of microbusinesses), underbanked or underserved, the BBVA Group has developed different initiatives of financial education. In 2023, the financial education workshops stand out, reaching almost 50,000 customers through training developed in online and in-person formats in some of the geographies in which the Group is present. Of particular relevance among these programs are the workshops developed at BBVA México in collaboration with customer companies, public administrations and third sector organizations. These workshops have benefited more than 40,464 customers, whose participation is recorded in an internal tool. Other programs include the BBVA Colombia workshops in which almost 5,000 customers have participated, Garanti BBVA with more than 2,000 customers, BBVA Perú with more than 1,000 participants and BBVA Argentina, in which 679 customers have participated. Among the benefited segments are young people, women and clients belonging to the low-income segment. Additionally, in December 2021 BBVA, along with 30 other banks, joined the United Nations global commitment to promote financial inclusion and boost the financial health of its clients.

Incorporation of Environmental, Social, and Governance Factors in credit analysis	Commercial and industrial credit exposure, by industry.	FN-CB-410a.1	NFIS/Environmental/Management of risks associated with climate change and environmental factors
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	FN-CB-410a.2	NFIS/Sustainability in the BBVA Group/Governance model NFIS/Environmental/Management of risks associated with climate change and environmental factors NFIS/Environmental/Alignment of the loan portfolio with the Paris Agreement NFIS/Environmental/Management of direct environmental impacts NFIS/Additional information/Operations analyzed under the Equator Principles
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.	FN-CB-510a.1	This metric reports monetary losses incurred in 2023 by BBVA Group banks as of December 31, 2023 in the "Commercial Banks" industry (understood, for the purposes of this metric, as Enterprises Banking), arising from judicial or administrative proceedings, either due to malpractice or non-compliance with applicable regulations, in which the entity is condemned for having caused acts of insider trading, price manipulation, anti-competitive agreements and abuses of dominant position, acts of corruption, fraud and money laundering attributable to the entity. Excluded are those cases in which the entity is the victim of the unlawful conduct and those in which, because the law establishes a system of objective liability or some kind of liability for the actions of others, the Entity has to take over the amounts defrauded from a third party. There are no monetary losses incurred in fiscal year 2023 by the aforementioned entities due to convictions imposed for acts of price manipulation or insider trading specific to the Commercial Banks industry. For issues related to anti-competitive agreements and abuses of dominance, please refer to the information included in the GRI 206 metric. For issues related to acts of corruption, fraud and money laundering attributable to the entity, please refer to the information included in metric GRI 205-3. (1)
	Description of whistleblower policies and procedures.	FN-CB-510a.2	NFIS/Governance/Compliance and conduct
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category.	FN-CB-550a.1	Financial information/BBVA Group/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.	FN- CB-550a.2	Financial information/BBVA Group/Solvency NFIS/Environmental/Management of risks associeated with climate change and environmental factors/ Integrating climate change into risk planning/ Analysis of scenarios and stress testing NFIS/Sustainability in the BBVA Group/ESG strategy and objectives
Activity metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business.	FN-CB-000.A	See table (1) below. Data includes information of BBVA Spain, BBVA Mexico, BBVA Colombia and BBVA Peru.
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate.	FN-CB-000.B	See table (2) below. Data includes information of BBVA Spain, BBVA Mexico and BBVA Peru.

(1) The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense costs of the parties), by the entity concerned, during the fiscal year 2023, excluding those arising from purely internal claims (customer services or customer ombudsman).

[1] CURRENT AND SAVINGS ACCOUNTS ON NOVEMBER 30, 2023 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Personal	69,368	174,192
SME	2,791	19,777

[2] LOANS ON NOVEMBER 30, 2023 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Personal	25,101	122,242
SME	17,429	31,135
Corporate	4,695	117,978

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	FN-CF-220a.1	As of December 31, 2023, 7.2 million customers have signed at least one of the following clauses that allow secondary uses of their data: - Data processing to make (by BBVA) offers of third-party products (about 81% of these clients have signed this clause). - Transfer of data to third parties for purposes other than BBVA's own, such as the transfer of customer data to third parties so that they can directly make offers for their products (about 81% of these customers have signed this clause). - Data processing to improve prices (about 82% of these clients have signed this clause). The customer data represents the number of account holders that have not been canceled for commercial banking and individuals over 18 years of age.
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	FN-CF-220a.2	It is reported monetary losses of 441,309.81 euros incurred in 2023 by BBVA Group banks as of December 31, 2023, as a result of court rulings (and settlement agreements reached in such legal proceedings), as well as 1,369,147.43 euros for administrative fines, imposed in proceedings relating to the privacy of individuals, including their right to honor. Excluded are those cases in which the entity is the victim of the unlawful conduct and those in which, because the law establishes a system of objective liability or some kind of liability for the actions of others, the Entity has to take over the amounts defrauded from a third party. As a consequence of such court rulings, settlement agreements and administrative fines, the affected entities, in the ordinary course of their business, perform an analysis of the same and proceed to adopt a series of corrective measures, among which are the adaptation of documentation, adjustments to internal operations or the implementation of modifications to privacy policies. [(1)]
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	FN-CF-230a.1	NFIS/Social/Customers/Security and protection
	Card-related fraud losses from (1) card-notpresent fraud and (2) card-present and other fraud	FN-CF-230a.2	At Group level, during the financial year 2023, losses have been recorded for a value of 88.8 million euros (in 2022, 102.2million euros), in case of fraud related to the absence of a card, and 26.8 million euros (in 2022, 25.3 million euros) 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	FN-CF-230a.3	NFIS/Social/Customers/Security and protection

Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold	FN-CF-270a.1	The General Remuneration Policy of the BBVA Group, in compliance with the applicable regulations on customer protection, includes the requirements and principles applicable to personnel who perform functions related to the sale of products and the provision of services to customers. In this sense, the design and establishment of the remuneration of this personnel in the BBVA Group ensures the protection of the interests of clients and the quality of the services provided, in such a way that: - responsible business conduct and fair treatment of customers are encouraged; - no incentives are established that could induce staff to put their own interests or those of the BBVA Group first, to the possible detriment of the interests of their clients; - remuneration is not linked primarily or exclusively to the sale of a product or a specific category or type of products, such as those products that are more lucrative for the entity or the employee, there being others more in line with the client's needs, nor is it fixed such objective as the one with the greatest weight in remuneration; and - an appropriate balance is maintained between the fixed and variable components of remuneration.
	Approval rate for (1) credit and (2) pre-paid products for applicants with FICO scores above and below 660	FN-CF-270a.2	It is not applicable to BBVA's current business model because it does not have presence in the USA.
	(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	FN-CF-270a.3	It is not applicable to BBVA's current business model because it does not have presence in the USA.
	(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	FN-CF-270a.4	In 2023, no customer complaints have been identified with the Consumer Financial Protection Bureau (CFPB). Currently, in the New York bank branch, as well as BBVA Securities Inc, there is no retail banking business associated with banking products related to it. In addition, the Houston Agency (BBVA exico's representative office) does not offer consumer products.
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	FN-CF-270a.5	It is reported monetary losses of 3,578,059.56 euros, incurred in 2023 by BBVA Group banks as of December 31, 2023, as a result of court rulings arising from civil proceedings (and settlement agreements reached in such proceedings) or administrative fines, in which the entity is condemned for lack of transparency and/or vitiation of consent (but not for abusiveness when this is not preceded by an analysis of transparency) in the field of consumer financing (excluding microenterprises and self-employed when they do not act as consumers). As a consequence of such judgments or fines (and settlement agreements), 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 or the adjustment of the conditions of the contracts. [1]
Activity metrics	Number of unique consumers with an active credit card account (1) and pre-paid- debit card account (2)	FN-CF-000.A	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	FN-CF-000.B	As of December 31, 2023, the Group-wide data amounts to 32,684 thousand credit cards (2022: 29,186 thousand) and 98,225 thousand debit cards (2022: 89,274 thousand cards). The data includes data from Spain, Mexico, Turkey, Argentina, Colombia, Peru and Uruguay.

[1] The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense costs of the parties), by the entity concerned, during the fiscal year 2023, excluding those arising from purely internal claims (customer services or customer ombudsman). The Fixing Rate at 31/12/2023 is applied as the exchange rate.

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	FN-MF-270a.1	It is not applicable to BBVA's current business model because the group does not have presence in the United States.
	(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	FN-MF-270a.2	It is not applicable to BBVA's current business model because the group does not have presence in the United States.
	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators	FN-MF-270a.3	It is reported monetary losses of 16,451,365.72 incurred in 2023 by BBVA Group banks as of December 31, 2023, as a result of court rulings arising from civil proceedings (and settlement agreements reached in such proceedings) or administrative fines, in which the entity is condemned for lack of transparency and/or vitiation of consent (but not for abusivity when this is not preceded by an analysis of transparency, except as indicated in the following paragraph) in the area of mortgage financing to individuals when they mortgage their home, either as security for a loan for the purchase of the same or for the purchase of another property. Although these cases are not the object of the metric as the lack of transparency and/or defects in consent are not being discussed, but only abusiveness, as they are specific to the "Mortgage Finance" industry (i.e. mortgage financing to individuals), monetary losses of 13,690,988.12 euros incurred in 2023 by BBVA, S.A. as a result of legal proceedings arising from claims associated with the costs of mortgage financing to consumers are reported. As a consequence of such judgments or fines (and settlement agreements), 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 documentation, the adjustment of the conditions of the contracts or the modification or elimination of the clauses declared null and void (e.g. expenses clauses and floor clauses).[1]
	Description of remuneration structure of loan originators	FN-MF-270a.4	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	FN-MF-270b.1	It is not applicable to BBVA's current business model because the group does not have presence in the United States.
	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending	FN-MF-270b.2	There are no monetary losses in 2023 incurred by BBVA Group banks as of December 31, 2023, as a result of court rulings or administrative sanctions imposed in proceedings related to discriminatory practices in the granting of mortgage financing to individuals when mortgaging their home, either as security for a loan for the acquisition of the same or for the acquisition of another property. For these purposes, discriminatory practices are understood as those conducts that favor the granting of mortgages to individuals on the basis of criteria that are not strictly based on objective credit risk conditions [(2)].
	Description of policies and procedures for ensuring non-discriminatory mortgage origination	FN-MF-270b.3	The General Retail Credit Risk Policy establishes that one of the general principles that govern retail credit risk management in the BBVA Group is respect for equality and diversity, preventing unfair biases in access to financial products due to reasons such as gender, color, ethnic origin, disability, religion, sexual orientation or political opinion. Additionally, the General Model Risk Management Policy establishes that in order to prevent unfair biases in access to financial products for reasons such as gender, color, ethnic origin, disability, religion, sexual orientation or political opinion; None of these variables will be included in the admission and pricing models.
Environmental Risk to Mortgaged Properties	(1) Number and (2) value of mortgage loans in 100-year flood zones	FN-MF-450a.1	Among extreme weather phenomena, BBVA has identified flooding as an acute physical risk related to climate change. For more information, see: NFIS/Environmental/Risks and opportunities associated with climate change, and EINF/Environmental/Management of risks associated with climate change and other environmental factors. BBVA will continue working in the coming years to advance in the identification of these financial products in 100-year flood zones.
	(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	FN-MF-450a.2	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/Environmental/Management of risks associated with climate change and environmental factors/Integrating climate change into risk planning/Analysis of scenarios and stress testing
	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting	FN-MF-450a.3	NFIS/Environmental/Management of risks associated with climate change and environmental factors
Activity metrics	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	FN-MF-000.A	See table (1) below. The data includes information from BBVA Spain, BBVA Mexico, BBVA Colombia (less commercial mortgages) and BBVA Peru.
	(1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial	FN-MF-000.B	Recently, BBVA has not carried out any type of significant 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 costs of the parties), by the entity concerned, during the fiscal year 2023, excluding those arising from purely internal claims (customer services or customer ombudsman). The Fixing Rate at 31/12/2023 is applied as the exchange rate.

(2) The concept "monetary losses" includes the amounts paid, provisionally or definitively (without defense costs of the parties), by the entity concerned, during the fiscal year 2023, excluding those derived from purely internal claims (customer service or customer ombudsman).

[1] MORTGAGES OPENED ON NOVEMBER 30, 2023 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Residential	1,551	89,795
Commercial	53	9,811

2.5.6 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 mainly focuses on contributing to various SDGs through the development of its business, generating a greater positive impact by taking advantage of the multiplier effect of banking. Additionally, BBVA also contributes in a relevant way by generating direct impacts of its activity and through its investment in the community.

Impact in customer support

Climate change

Origination on investments necessary to manage the challenge of climate change.

Inclusive development

Mobilization of necessary investments to build inclusive infraestructures and support inclusive economic development.

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.

Contributions metrics to the SDGs

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[57] and by the World Economic Forum have been used[58].

Below is a breakdown of information within the framework of the SDGs as of December 31, 2023 and 2022:

[57] 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.
[58] World Economic Forum (2020). Toward Common Metrics and Consistent Reporting of Sustainable Value Creation.

PLANET

SDG 7. AFFORDABLE AND CLEAN ENERGY

		2023	2022
Impact of customer support	Financing of renewable energy projects (€ mill)	1139	840
	Carbon footprint calculator (number of enterprise users)	295,620	166,912
	Carbon footprint calculator (number of unique private users in Mexico))	1,463,730	n/a
	CO_2 emissions avoided through green bond issuance (Tn of CO_2)	n/a	1,516,738
	Renewable energy generated from the issuing of green bonds (GWh/year)[1]	n/a	7,426
Direct impact	Environmentally certified area in m^2 (%) [1]	61%	44%
	Electricity usage per employee (MWh/occup)	5.58	5.74
	Reduction in electricity consumption per employee (%) [2]	(16)%	(14)%
	Electricity from renewable sources (%)	96%	92%
	CO_2 emissions per employee (Tn CO_2/employee) [3]	1.33	0.82
	Reduction in CO2 emissions per employee (Tn CO_2/employee) [2]	(52)%	(0.70)
	Energy consumption (megawatt-hour)	683,215	688,158
	Adherence to RE100	✓	✓

n/a: not available

[1] 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 (%).

[2] Compared to the base year 2019

[3] Includes Scope 1 emissions (fuels in facilities, fleet and refrigerant gases), Scope 2 (electricity consumption; market-based method) and Scope 3 (waste management, business travel by air and rail and employee commuting).

SDG 12. RESPONSIBLE CONSUMPTION AND PRODUCTION

		2023	2022
Impact of customer support	Treated wastewater through green bond issuance (m^3/year)	n/d	25,641,813
	Waste managed through green bond issuance (Tn/year)	n/d	549,726
	Financing for optimizing material use	70	*
Direct Impact	Reduction of water consumed per employee (%) [1]	(26)%	(12)%
	Reduction of paper consumed per employee (%) [1]	(48)%	(31)%
	Water consumption per employee (m^3/employee)	14.1	16.6
	Paper consumption per employee (Kg/employee)	26.0	34.1
	Consumed water from public supply (million m^3)	1.51	1.73
	Paper consumed (Tn)	3,120	3,718
	Hazardous waste (Tn)	329	570
	Non-hazardous waste (Tn)	2,339	2,523
	Waste recycled (Tn)	1,152	1,745
	% of contracts awarded to certified suppliers	99%	98%
	% local suppliers/total suppliers	96%	90%
Impact on community investment	Training actions in relation to the efficient use of resources	✓	✓

n/a: not available

* Information reported for the first time in 2023

[1] Regarding the base year 2019.

SDG 13. CLIMATE ACTION

		2023	2022
Impact of customer support	Green bonds issued (nominal in millions)	8.689 mill MXN	1.250 mill EUR 225 mill CHF
	Goal 2025: mobilization Climat change (€ mill)	54,202	40,643
	Wholesale loan portfolio exposed to sectors sensitive to transition risk (%)	13%	7%
	Total amount of operations analyzed under the Equator Principles (€ mill)	49,857	45,995
Direct impact	Scope 1 emissions (tons of CO_2e) (1)	38,005	41,380
	Scope 2 emissions (tons of CO_2e) market-based method	6,981	11,507
	Scope 2 emissions (tons of CO_2e) location-based method	203,407	202,770
	Scope 3 emissions (tons of CO_2e) (2)	1,443,437	33,435

(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, this scope was expanded in 2023 to include emissions derived from waste management, business travel (including flights and train), and commuting of employees to their workplaces.

SDG 15. LIFE ON LAND

		2023	2022
Impact of customer support	Financing to preserve terrestrial ecosystems (€ mill)	226	*

* Information reported for the first time in 2023.

PROSPERITY

SDG 6. CLEAN WATER AND SANITATION

		2023	2022
The impact of customer support	Blue bond issued in Colombia (million USD), also included in metric: Green bonds issued (nominal in millions) in SDG 13	117	n/a

n/a: not not applicable.

SDG 8. DECENT WORK AND ECONOMIC GROWTH

		2023	2022
Impact of customer support	Financing for financial inclusion (€ mill)	631	609
	Number of unbanked or underbanked clients (vulnerable segment) (millions) (1)	17	9
	Promotion of financial inclusion in rural areas (2)	✓	✓
	Number of companies benefiting from issued social bonds (3)	n/d	32,406
	Number of employees benefiting from issued social bonds (3)	n/d	33,994
Direct impact	Financial value created: gross income (€ mill)	29,542	24,743
	Number of employees	121,486	115,675
	Number of employees with disabilities	891	645
	Number of third parties	3,959	3,548
	Billed volume by third parties (€ mill)	8,218	6,292
	Number of ATMs (units)	30,301	29,807
	Number of branches (units)	5,949	6,034
	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%	52%
	% of total male employees with permanent or permanent full-time employment contract modality	48%	48%
	Total number of employees entitled to parental leave	2,302	3,715
	Occupational accidents: number of accidents	266	89
	Occupational accidents: severity index	0.12	0.04
Impact on community investment	Investment to support entrepreneurial initiatives (€ mill)	8	7.5
	People directly benefited from entrepreneurship support initiatives (million)	3	2.9
	Entrepreneurs receiving financial support (million)	3.23	2.9
	Entrepreneurs receiving non-financial support (number)	77,168	9,338

n/a: not available

(1) The 2022 figure corresponds to Mexico. The 2023 figure includes, in addition to Mexico, also Spain, Turkey, Argentina, Colombia and Peru.

(2) 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.

(3) Data 2023 not available at the date of publication of this report.

SDG 9. INDUSTRY, INNOVATION AND INFRASTRUCTURE

		2023	2022
Impact of customer support	Public transportation financing (€ million)	126.0	26.0
	Civil infrastructure financing (€ million)	213	45
	Telecommunications infrastructure financing (€ million)	61	819
	Arts and culture infrastructure financing (€ million)	9	2
	Social infrastructure financing: healthcare (€ million)	1019	309
	Social infrastructure financing: inclusive housing (€ million)	269	161
	Sanitation and sewerage infrastructure financing (€ million)	82	114
	Financing for reconstruction of infrastructure after natural disasters (€ million)	319	*
Impact on community investment	Investment in science and knowledge (€ million)	22.8	23.29
	People benefited by science and knowledge initiatives (million) (1)	6.4	4.6

* Information reported for the first time in 2023.

(1) Includes people reached directly, indirectly and through content (single user).

SDG 11. SUSTAINABLE CITIES AND COMMUNITIES

		2023	2022
The impact of client support	Framework for social housing initiatives in Spain: active refinancing agreements [1]	More than 88,200	More than 85,850
	Social housing units granted to public entities	800	1,000
	Mortgage loans (€ million)	93,358	91,569
	Consumer loans (€ million)	39,074	35,965
	Credit card loans (€ million)	21,609	17,382
	Financing for energy efficiency in properties (€ million)	1,032	4306
	Financing for building accesibility (€ million)	3	5
	All metrics related to infrastructure financing included in SDG 9 INDUSTRY, INNOVATION, AND INFRASTRUCTURE are also applicable here.		
Impact on community investment	Investment in cultural support initiatives (€ million)	6.3	7.0
	People benefited by cultural support initiatives (million) [2]	3.2	2.0

[1] Data as of November 2023 (December closing not available at the date of publication of this report).

[2] Includes people reached directly and through content (single user).

PEOPLE

SDG 3. GOOD HEALTH AND WELL BEING

		2023	2022
Impact of customer support	Healthcare financing (€ mill)	92	148
	Funding to support health research (€ million)	3.8	*

* Información reportada por primera vez en 2023

SDG 4. QUALITY EDUCATION

		2023	2022
Impact of customer support	% of digital clients using financial health features (Spain)	62%	60.0%
Direct impact	Investment in employee training (€ million)	421	364
	Training per employee (Hours per employee)	49.3	43.74
	Employees receiving training (% of total)	99%	98%
	Number of employees trained in sustainability-related topics	more than 40,000	more than 29,000
Impact on community investment	Investment in education programs (€ million)	110.1	77.15
	Beneficiaries education for society (million)	1.0	0.4
	Investment in financial education programs and initiatives (€ million)	2.0	2.8
	Beneficiaries of financial education programs (million)	0.8	0.8
	Beneficiaries of secondary, higher education, and vocational training	0.3	0.1
	Unique users on Financial Education web pages (million)	29.1	29.6
	Unique users who acquire open knowledge through "Aprendemos juntos" (million)	4.1	3.5
	Unique users visiting sustainability-related content on www.bbva.com (million) [1]	4.1	4.0

[1] Calculated now with the new GA4 tool, not comparable with the previously used Google web analytics tool called Google Analytics.

SDG 5. GENDER EQUALITY

		2023	2022
Impact of customer support	Loans to female entrepreneurs (€ mill)	1,430	720
Direct impact	% Women on the workforce	52%	53%
	% Women board members	40%	40%
	% Women in senior management positions	24%	22%
	% Women in management positions	35%	34%
	Promotions of women (% of total)	52%	53%
	% New incorporations corresponding to women	48%	47%
	Wage gap (%)	50%	70%
Impact on community investment	% of Microfinanzas Foundation Clients (women)	61%	59%
	Bloomberg Gender-Equality Index	✓	✓

SDG 10. REDUCED INEQUALITIES

		2023	2022
Impact of customer support	Number of active clients (million)	71.5	67.3
	% bancarization of the beneficiaries of remittances Mexico	94.8%	More than 88%
	Entrepreneurship financing (€ million)	3,205	3,968
	Financing for social enterprises / foundations (€ million)	209	15
Impact on community investment	Total number of credit clients of the Microfinance Foundation by year-end (million)	0.93	0.92
	% of Microfinance Foundation clients (rural)	34%	34%
	% of Microfinance Foundation clients (at most primary education)	31%	32%
	BBVA donation to respond to the humanitarian emergency of the earthquake in Turkey and Syria (million euros)	1.0	n/a
	The investment metrics (€ million) and beneficiaries (number) in financial education programs and initiatives included in SDG 4 QUALITY EDUCATION are also applicable here.		

n/a: not not applicable.

SDG 16. PEACE, JUSTICE AND STRONG INSTITUTIONS

		2023	2022
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	12	11
	Average time to resolve complaints (calendar days)	8	7
	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)	13,618	10,948
	Anti-corruption policy	✓	✓
	Supplier ethics code	✓	✓
	BBVA and Human Rights	✓	✓
	Corporate Social Responsibility Policy	✓	✓
	Employees who have received code of conduct training	96,103	85,329
	Employees who have received anti-corruption policy training	83,883	79,706
	Complaints received through complaint channels	2,061	1,597
	Employees who have received anti-money laundering training	80,442	91,401
	Anti Money Laundering: No. of investigation files managed	167,269	139,592
	Anti Money Laundering: No. of suspicious operations reported to the authorities.	105,845	82,860
	Anti Money Laundering: Engagement with governmental agencies and international organizations	✓	✓

SDG 17. PARTNERSHIPS FOR THE GOALS

		2023	2022
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	✓	✓
	Net Zero Banking Alliance	✓	✓
	Net Zero Asset Managers	✓	✓
	Collective Committment to Financial Education & Inclusion	✓	✓
Direct impact	RE 100; GECV	✓	✓
	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)	11,788	8,637
	Volunteer hours (thousands of hours)	36,040	24,262
	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.)	✓	✓

2.6 Additional information

2.6.1 Additional information on materiality analysis

2.6.2 Additional information on employees

2.6.3 Additional information on customer complaints

2.6.4 ESG analysts and ratings

2.6.5 Operations analyzed under the Equator Principles

2.6.1 Additional information on materiality analysis

Phases of the materiality analysis and identification of relevant issues

The analysis was carried out in three phases:

- Phase 1 - Identification of issues that are significant for the Group and its stakeholders.
- Phase 2 - Qualitative identification of the effects (positive and negative), as well as risks and opportunities for each of the issues identified.
- Phase 3 - Assignment of weights and fixation of points in the materiality matrix.

Phase 1 - Identification of the issues that are significant for the Group and its stakeholders

The materiality matrix and issues are updated with the latest trends related to regulation, analysts and investors, expectations of interest groups and other aspects that impact BBVA's activity.

The following were used to identify the different issues:

External sources:

- Reporting frameworks such as: GRI, SASB, World Economic Forum_IBC (Stakeholder Capitalism Metrics).
- Existing regulation and drafts of future reporting regulation (Law 11/2018, European Taxonomy Regulation, ESRS).
- Voluntary reporting frameworks: TCFD, TNFD, GFANZ Guides, etc.
- Analyst expectations and ESG Indices.
- Trend and context reports.

Internal sources:

- Materiality analysis of previous years.
- Results of the Human Rights due diligence process carried out by BBVA in 2021, as well as subsequent updates and extensions made to it.
- Portfolio Impact Analysis Tool for Banks – UNEP-FI.
- The ENCORE tool for natural capital matters.
- Consultations with stakeholders:
    - Customers, with a total of 1.204 surveys conducted in six countries (Argentina, Colombia, Spain, Mexico, Peru and Turkey) and non-customers, with a total of 1.138 surveys conducted in six countries (Argentina, Colombia, Spain, Mexico, Peru and Turkey), evaluating expectations, as well as their relevance.
    - Shareholders and investors: includes the issues in which they show interest, assigning a degree of relevance to each material issue according to their individual perspective, from a risk perspective and a trend based on the degree of relevance and growing interest;
    - Employees, with a total of 12,106 surveys carried out in eight countries (Argentina, Colombia, Spain, Mexico, Peru, Turkey, Uruguay and Venezuela).
- BBVA Risk Assessment.
- BBVA reputational risk analysis.

Phase 2 - Qualitative identification of the effects (positive and negative), as well as risks and opportunities for each of the issues identified

For each of these issues, the possible positive and negative effects associated with the activity of the BBVA Group or its value chain that could affect society and the environment have been identified at a qualitative level ("from the inside out"). also known as "impact materiality") as well as the risks and opportunities associated with sustainability issues that could affect the activity of the BBVA Group ("from the outside in" also known as "financial materiality") in the short, medium and long term. term.

Potential positive and negative effects, as well as risks and opportunities are:

MATERIAL ISSUES

ENVIRONMENTAL

Issue	Description	Impact materiality [1]		Financial materiality	
		Positive effects	Negative effects	Risks	Opportunities
Climate change	Measures aimed at adapting to the consequences of climate change: establishment of policies, identification and management of climate risk and opporunities, definition of decarbonisation targets for the portfolio aligned with the objectives of the Paris Agreement, inclusion of sustainability criteria and specifically of climate change within the credit analysis of operations with customers.	– 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.	– 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.	– 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.	– Financing of new activities related to the energy transition (mitigation and adaptation): • Reuse of oil and gas trasnportation assets for biofuels: MT; • Electrification of the oil and gas indsutry and use of hydrogen: MT; • Renewables, 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; • Metals for electric vehicles, ST; • Agricultural waste as biogas, ST; • Energy in agricultural plants, MT; • Anti-drought products, MT; • Use of sustainable fertilizers and feed: ST; • Carbon credits markets, ST; • Circular economy: ST; • Other sectors moving toward carbon neutrality, ST. – Financing of sustainable activities, without pollution controversies.

Additional information related to measures taken to manage the issue, associated effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.2 Environmental

The KPIs linked to this issue are "Sustainable Business Chanelling" (see section "2.1.3 Sustainability in business development - "Sustainable Business Channeling" and "2.2.3 Alignment of the loan portfolio with the Paris Agreement"). In addition, these KPIs are used to calculate the RVA (see section "2.3.2 Employees - Remuneration").

[1] The identified effects, both positive and negative, are potential; since they come mainly from the UNEP-FI tool that considers the potential effects of BBVA's portfolio.

SOCIAL

Issue	Description	Impact materiality [2]		Financial materiality	
		Positive effects	Negative effects	Risks	Opportunities

Customers: accessibility of commercial channels and financial health	Offer a good experience for all customers, ensuring the simplicity, agility, speed and self-service of the channels, in addition to promoting innovation and digitization of the service. Likewise, offer proposals or solutions that promote the financial health of our customers, taking care of their finances and offering proposals or solutions on issues that are more complex or require greater specialization.	– 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. – Financial education for customers and society in general; and specific for disadvantaged and/or vulnerable groups. – 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. – Access to financing and financial services by facilitating accessibility, simplicity and agility in customer transactions.	– 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 digitization (e.g. senior citizens). – Exclusion of groups with less adaptability to changes geared toward new technologies (e.g. the elderly, rural areas). – 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	– 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.i – Inadequate design of the products and services catalog, due to lack of inclusion of products and services with ESG orientation. or lack of inclusion of ESG criteria in products and services associated with failure to meet customer needs). – Inadequate management of customer claims/complaints.	– 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. – Positioning and recognition among customers as a trustworthy company that responds to their needs.

Additional information related to measures taken to manage the issue, associated effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.3.2 Customers

The KPI linked to this issue is "Net Recommendation Index (IReNe)" (see section "2.3.2 Customesr - Responsible costumer conduct - Customer experience". In addition, this KPI is used to calculate the AVR (see section "2.3.3 Employees - Remuneration").

Inclusive growth	– Promote access to financing sources for vulnerable or low-income people and small businesses/professionals with fewer resources and possibilities, all accompanied by financial and digital education actions to promote responsible banking and informed decision-making. – Develop new products with the help of new technologies, which allow access to new markets previously inaccessible due to the risk factor. – Support governments and companies to promote employment and local development of the territory and communities. – Promote the development of society through the philanthropic activities carried out by the Group.	– Access to financing and financial services to people located in isolated or remote areas (e.g. rural areas). – Access to financing and financial services for vulnerable and disadvantaged groups; through both the offer of financing in general and through the offer of products specifically designed for these groups. – Increase in financial and digital education of customers and society in general, specifically that of disadvantaged and/or vulnerable groups. – Accessible, affordable and useful financial products. – Products aimed at SMEs and the self-employed with less access to financing and sustainable business models. – Strong and lasting public-private alliances.	– Lack of access to finance and financial services in isolated or remote areas (e.g. rural areas). – Lack of access to financing and financial services for vulnerable and disadvantaged groups by not facilitating access to the general financing offer or by not creating an offer of specific products for these groups. – Reduced financial education of customers and society in general, specifically that of disadvantaged and/or vulnerable groups. – Financial products not accessible, affordable or useful. – Lack of products aimed at SMEs and the self-employed with less access to financing and sustainable business models. – Lack of collaboration with the third sector or with the public sector.	– Reputational loss due to lack of or insufficient financial inclusion measures. – Loss of business opportunities due to not serving new segments (not expanding the customer base). – Loss of opportunities in the development of financial products (less innovation) – 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. – Expansion of the customer base. – Innovation and development of new products and services aimed at disadvantaged and/or vulnerable groups or underserved areas. – Positioning and recognition by stakeholders as a socially responsible company that contributes to the development of the societies in which it is present with its philanthropic activity.

Additional information related to measures taken to manage the issue, associated effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.1.3 Sustainability in business development
– 2.3.1 Society

The KPI linked to this matter is "Sustainable Business Mobilization" (see section "2.1.3 Sustainability in business development - Sustainable business channeling"). In addition, this KPI is used to calculate the AVR (see section "2.3.3 Employees - Remuneration").

Issue	Description	Positive effects	Negative effects	Risks	Opportunities
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.	– 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 effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.3.2 Customers - Security and protection

[2] The identified effects, both positive and negative, are potential; since they come mainly from the UNEP-FI tool that considers the potential effects of BBVA's portfolio.

GOVERNANCE

Issue	Description	Impact materiality [3]		Financial materiality	
		Positive effects	**Negative effects**	**Risks**	**Opportunities**
Business integrity and ethics	Guarantee an environment of business integrity and ethics, ensuring compliance with regulations in this issue and the establishment of internal policies, standards and procedures and other control measures to prevent and manage risks linked to anti-competitiveness and monopolistic practices, market abuse, corruption and bribery and money laundering, among others. In addition to the implementation of measures aimed at identifying, preventing and managing conflicts of interest, as well as adequately addressing the interests of customers: transparency in client information; prevention and detection of bad sales practices, among others.	– Positive contribution to consumer protection. – Positive contribution to the health of economies. – Positive contribution to socioeconomic well-being. – Positive contribution to the achievement of ethical institutions. – Positive contribution to the health of economies through the mitigation of risks that may affect them.	– No contribution or negative contribution to consumer protection.. – No contribution or negative contribution to health of the economies. – No contribution or negative contribution to the socioeconomic well-being.	– 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 or wrong target audience. – 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. – Corporate governance structure or practices misaligned with good governance principles and standards.	– Positioning and recognition by stakeholders, especially customers, as an entity that protects its customers. – Positioning and recognition by stakeholders, especially customers, as a company that ensures good compliance and the fight against unethical activities (bribery, corruption, money laundering). – Creation of long-term value thanks to the development of good corporate governance that seeks to benefit shareholders and key stakeholders for the entity.

Additional information related to measures taken to manage the issue, associated effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.4.1 Governance - Compliance and conduct

[3] The effects identified, both positive and negative, are potential, as they come mainly from the UNEP-FI tool that considers the potential effects of BBVA's portfolio.

OTHER ISSUES

ENVIRONMENTAL

Issue	Description	Impact materiality [(1)]		Financial materiality	
		Positive effects	Negative effects	Risks	Opportunities
Natural capital	Measures aimed at: – Manage dependencies, impacts, risks and opportunities related to natural capital. – Measures taken to preserve or restore biodiversity and ecosystems; sustainable use and protection of water and marine resources, prevention and control of pollution and transition to a circular economy. – Development of products that guarantee responsible use of resources (energy, water, materials, etc.), and 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 avoid pollution. – Improve efficiency in the use of resources, raw materials (paper), water and energy and waste generation in its own operations, in order to reduce the environmental and carbon footprint. It includes measures to promote the development and promotion of the circular economy and the prevention and management of waste.	– 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. – Contribution to reducing and reversing the degradation of ecosystems by directing and promoting financing towards more sustainable sectors and activities and excluding more harmful activities. – Contribution to the preservation or restoration of biodiversity through the financing of projects aimed at the protection and/or restoration of natural capital (forest protection, reforestation, restoration of ecosystems, etc.); including the blue economy.	– 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. – Degradation of ecosystems 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 for the financing of customers / sectors / operations with high impact on the degradation of ecosystems. – 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 high dependencies on natural capital. – Portfolio exposure to sectors with high impacts on natural capital that are not able to adapt or adapt slowly to new demands regarding the protection of natural capital. – Absence or poor integration of an operational efficiency strategy. – Increased long-term costs of resources (circularity, energy, water).	Financing of activities linked to the protection and restoration of natural capital (with its corresponding time horizon): – Sustainable forest management. – Reforestation. – Blue economy. – Nature-Based Solutions. – Ecological agriculture. – Adaptation of sectors in general to the degradation of ecosystems – Adaptation infrastructures. – Anti-drought products. – Ecosystem services credit markets. – Cost savings through improved efficiency in resource consumption (water, energy, paper). Recognition for positioning as an environmentally efficient company.

Additional information related to measures taken to manage the issue, associated effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.2.2 Management of risks associated with climate change and environmental factrs - Identification and measurement of other environmental risks

[(1)] The identified effects, both positive and negative, are potential; since they come mainly from the UNEP-FI tool that considers the potential effects of BBVA's portfolio.

SOCIAL

Issue	Description	Impact materiality [(2)]		Financial materiality	
		Positive effects	Negative effects	Risks	Opportunities

Responsible use of data	Guarantee the privacy and security of personal data: ensure data protection, avoiding leaks of personal data that pose a risk to the rights and freedoms of the interesed parties (e.g. identity theft and debit and credit card fraud). Compliance with the regulations applicable to data protection, in the case of Spain, 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 data protection. – Education on responsible use of data for customers and society in general; resulting from information campaigns.	– No contribution or negative contribution to the protection of the right to data protection.	– 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 personal data use, arising from regulatory requirements.	– Positioning and recognition by stakeholders, especially customers, as a company that makes responsible use of personal data.

Additional information related to measures taken to manage the issue, associated effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.3.2 Customers - Security and protection

Defense of the human rights	Measures related to: – Conditions of employment: fair hiring and remuneration, labor relations, and health and safety; It includes issues such as: forced labor, child labor, freedom of association and collective bargaining, equal pay or discrimination; – Projects and products: impact on human rights derived from credit activity, with a focus on large corporate customers in sectors with great environmental or social impact (including local communities and indigenous populations); – Responsible supply chain: fair hiring, control of suppliers and working conditions of its workers; discrimination, etc. – Customer well-being: accessibility and service as well as safety and health and respect; – Respect for communities: environmental protection and inclusive businesses; – Integration into operational processes, identification and evaluation of the potential impacts that BBVA's activity could have on human rights to prevent, mitigate and remedy them.	– 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 effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.3.5 Commitment to Human Rights

Employees	– 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. – 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. – Measures aimed at preventing occupational hazards and promoting the health (physical and mental) and safety of employees.	– Positive contribution to the objectives of ensuring equal opportunities. – Contribution to the well-being of society. – Generation of quality employment and the payment of decent wages. – Positive contribution to employees' labor rights. – Positive contribution to the safety, health and integrity of employees. – Positive contribution to health and safety education.	– No contribution or negative contribution to the objectives of ensuring equal opportunities. – 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 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. – 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 promotes equal opportunities and work-life balance. – Increased productivity as a result of the implementation of actions to improve work-life balance. – 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 effects and monitoring of the effectiveness of the measures taken is included in the chapter:

– 2.3.3 Employees

The KPI linked to this issue is "Percentage of women in management positions" (see section "2.3.3 Employees - Diversity and inclusion". In addition, this KPI is used to calculate the AVR (see section "2.3.3 Employees - Remuneration").

(2) The effects identified, both positive and negative, are potential, as they come mainly from the UNEP-FI tool that considers the potential effects of BBVA's portfolio.

Phase 3 - Assignment of weights and quantification of issues to determine their level of impact

1. BBVA's impact on the environment: in order to quantify BBVA's impact on the environment, the UNEP-FI impact identification tool (Portfolio Impact Analysis Tool for Banks) for both Consumer Banking and Institutional Banking has been used as a base source. The results obtained have been complemented with other sources such as the human rights due diligence process conducted in 2021 and the ENCORE tool (for natural capital issues). Weightings have been assigned to each of the sources and score. The higher the score, the greater the impact.

2. Environmental impact on BBVA: in order to quantify the impact that the environment has on BBVA, various sources have been used from the perspective of risks and opportunities of the issues, such as BBVA's risk assessment, BBVA's reputational risk analysis, customer, non-customer and employee surveys, and surveys of the investor relations area. The risk assessment has been carried out considering their impact and probability. Weightings have been assigned to each of the sources used and scores have been assigned. The higher the score, the greater the impact.

Materiality matrix

The issues have been ordered on the two axes of the matrix based on the score obtained, which has been contrasted and re-evaluated, where appropriate applying the expert criteria of the areas involved in this process. This allows us to identify which are the material issues (those that are located in the upper/right part of the double materiality matrix).

The results of this phase give rise to the Group's materiality matrix shown in chapter "2.1.2 Materiality analysis".

2.6.2 Additional information on employees

The information included in this chapter complements the breakdowns included in section “2.3.3 Employees” in chapter “2.3 Social”.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA GROUP)

	2023			2022		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	**27,410**	**13,709**	**13,701**	**25,945**	**12,798**	**13,147**
Mexico	**46,891**	**23,122**	**23,769**	**43,511**	**21,082**	**22,429**
Turkey (1)	**22,016**	**9,761**	**12,255**	**21,684**	**9,528**	**12,156**
South America	**23,679**	**11,011**	**12,668**	**23,149**	**10,699**	**12,450**
Argentina	5,996	3,181	2,815	5,869	3,149	2,720
Bolivia	109	48	61	466	175	291
Brazil	6	2	4	6	2	4
Colombia	6,830	2,886	3,944	6,678	2,819	3,859
Chile	786	374	412	767	363	404
Cuba	0	0	—	1	1	—
Peru	7,547	3,495	4,052	6,985	3,190	3,795
Uruguay	573	310	263	573	308	265
Venezuela	1,832	715	1,117	1,804	692	1,112
Rest	**1,490**	**898**	**592**	**1,386**	**818**	**568**
Germany	47	32	15	43	28	15
Belgium	19	11	8	21	13	8
China (2)	131	87	71	120	83	64
South Korea	2	1	1	2	1	1
United Arab Emirates	1	1	—	2	1	1
The United States	405	288	117	368	254	114
France	75	53	22	68	45	23
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
Italy	65	35	30	52	29	23
Japan	6	5	1	4	3	1
Portugal	429	222	207	427	216	211
United Kingdom	154	103	51	128	86	42
Singapore	16	4	12	15	5	10
Switzerland	124	71	53	120	69	51
Taiwan	12	4	8	12	4	8
Total	**121,486**	**58,501**	**62,985**	**115,675**	**54,925**	**60,750**

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

(2) Includes employees of BBVA entities in China and Hong Kong.

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

	2023					2022				
	Average age	<30	30-39	40-49	≥50	Average age	<30	30-39	40-49	≥50
Spain	43.9	8.5	18.0	46.1	27.4	43.9	6.5	19.4	49.6	24.5
Mexico	34.5	32.2	44.3	15.6	7.9	34.4	33.3	43.5	15.4	7.8
Turkey	35.7	23.5	43.2	27.9	5.4	35.4	22.0	45.9	27.5	4.6
South America	38.1	23.9	36.2	22.8	17.1	38.0	24.1	36.2	23.0	16.8
Rest	44.2	13.0	20.5	30.4	36.1	44.7	10.0	21.2	31.8	37.1
Total	**37.7**	**23.4**	**36.3**	**26.3**	**14.0**	**37.6**	**23.1**	**36.8**	**27.1**	**13.1**

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

	2023			2022		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain	15.9	15.1	16.7	16.3	15.8	16.7
Mexico	6.3	5.8	6.8	6.5	6.0	6.9
Turkey	9.7	9.6	9.8	10.0	10.0	9.9
South America	10.1	10.4	9.8	10.2	10.6	9.8
Rest	11.0	10.4	11.9	11.8	11.1	12.8
Total	**9.9**	**9.5**	**10.2**	**10.1**	**10.0**	**10.3**

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

	2023			2022		
	On the total number of employees	**Male**	**Female**	**On the total number of employees**	**Male**	**Female**
Spain						
Management team [(1)]	6.8	67.4	32.6	6.7	70.6	29.4
Managers	38.0	53.6	46.4	37.5	53.9	46.1
Rest of employees	55.2	45.4	54.6	55.9	43.7	56.3
Mexico						
Management team [(1)]	3.2	66.0	34.0	3.1	66.1	33.9
Managers	31.4	57.0	43.0	30.6	55.9	44.1
Rest of employees	65.4	44.8	55.2	66.3	44.2	55.8
Turkey						
Management team [(1)]	3.5	60.9	39.1	4.0	60.4	39.6
Managers	38.1	36.0	64.0	39.1	36.7	63.3
Rest of employees	58.4	48.7	51.3	57.0	47.8	52.3
South America						
Management team [(1)]	4.1	60.5	39.5	3.9	61.6	38.4
Managers	28.0	50.9	49.1	27.8	50.3	49.7
Rest of employees	67.9	43.9	56.1	68.2	43.7	56.3
Rest						
Management team [(1)]	23.0	75.2	24.8	21.3	77.0	23.1
Managers	37.3	64.0	36.0	37.5	62.7	37.3
Rest of employees	39.7	48.1	51.9	41.2	46.4	53.6
Group average						
Management team [(1)]	4.5	65.3	34.7	4.5	66.5	33.5
Managers	33.5	50.9	49.1	33.3	50.3	49.7
Rest of employees	62.0	45.4	54.6	62.3	44.6	55.4

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

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

	2023			2022		
	On the total number of employees	Male	Female	On the total number of employees	Male	Female
Spain						
Permanent employee. Full-time	99.2	50.0	50.0	98.8	0.5	0.5
Permanent employee. Part-time	0.1	14.3	85.7	0.1	0.1	0.9
Temporary employee	0.7	49.8	50.2	1.2	0.4	0.6
Mexico						
Permanent employee. Full-time	93.4	48.9	51.1	91.4	0.5	0.5
Permanent employee. Part-time	—	—	—	—	1.0	—
Temporary employee	6.6	54.8	45.2	8.6	0.5	0.5
Turkey						
Permanent employee. Full-time	98.6	44.2	55.8	99.5	0.4	0.6
Permanent employee. Part-time	0.1	6.2	93.8	0.1	0.1	0.9
Temporary employee	1.3	56.8	43.2	0.4	0.6	0.4
South America						
Permanent employee. Full-time	94.3	47.1	52.9	91.6	0.5	0.5
Permanent employee. Part-time	0.8	37.1	62.9	0.9	0.4	0.6
Temporary employee	4.9	36.0	64.0	7.5	0.3	0.7
Rest						
Permanent employee. Full-time	99.5	60.4	39.6	99.4	59.1	40.9
Permanent employee. Part-time	0.1	—	100.0	0.1	—	100.0
Temporary employee	0.4	50.0	50.0	0.5	57.1	42.9
Group average						
Permanent employee. Full-time	95.9	48.1	51.9	94.7	47.6	52.5
Permanent employee. Part-time	0.2	32.6	67.4	0.2	34.0	66.0
Temporary employee	3.9	50.1	49.9	5.1	46.8	53.2

(1) 2022 data differ from those published in the 2022 Statement of Non-Financial Information due to additional updates and checks.

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

	2023			2022		
	Management team	Managers	Rest of employees	Management team	Managers	Rest of employees
Spanish	35.9	25.5	19.8	34.9	25.2	19.9
Mexican	26.7	36.0	40.7	25.7	34.5	40.0
Turkish	13.8	20.3	16.8	16.2	21.7	16.9
South American [1]	17.6	16.6	21.5	17.7	17.0	22.1
Rest of nationalities	5.9	1.6	1.1	5.5	1.6	1.1
Total	**100**	**100**	**100**	**100**	**100**	**100**

[1] Includes Central America

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

	2023					2022 [1]				
	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	99.2	8.0	18.0	46.4	27.6	98.8	5.8	19.3	50.1	24.8
Permanent employee. Part-time	0.1	4.8	9.5	52.4	33.3	0.1	11.1	16.7	55.6	16.7
Temporary employee	0.7	72.9	19.2	5.9	2.0	1.2	66.9	28.1	3.7	1.3
Mexico										
Permanent employee. Full-time	93.4	30.1	45.2	16.3	8.4	91.4	30.4	44.9	16.4	8.4
Permanent employee. Part-time	—					—	100.0	—	—	—
Temporary employee	6.6	62.9	30.9	5.3	0.9	8.6	64.3	28.8	5.5	1.5
Turkey										
Permanent employee. Full-time	98.6	22.7	43.7	28.2	5.4	99.5	22.0	45.9	27.5	4.6
Permanent employee. Part-time	0.1	—	12.5	31.3	56.2	0.1	15.4	15.4	23.1	46.2
Temporary employee	1.3	81.6	11.9	3.1	3.4	0.4	38.4	46.5	10.5	4.7
South America										
Permanent employee. Full-time	94.3	21.5	36.6	23.8	18.1	91.6	20.0	37.1	24.6	18.2
Permanent employee. Part-time	0.8	41.9	43.0	12.4	2.7	0.9	37.1	46.0	14.4	2.5
Temporary employee	4.9	66.5	26.7	5.3	1.5	7.5	72.4	23.4	3.3	1.0
Rest										
Permanent employee. Full-time	99.5	12.9	20.4	30.5	36.2	99.4	9.7	21.1	31.9	37.3
Permanent employee. Part-time	0.1	—	100.0	—	—	0.1	—	100.0	—	—
Temporary employee	0.4	50.0	33.3	16.7	—	0.5	71.4	28.6	—	—
Group average										
Permanent employee. Full-time	95.9	21.7	36.6	27.2	14.5	94.7	20.7	37.3	28.3	13.7
Permanent employee. Part-time	0.2	35.3	37.9	17.4	9.4	0.2	34.0	42.1	17.9	6.0
Temporary employee	3.9	65.3	28.2	5.2	1.3	5.1	66.4	27.4	4.8	1.4

[1] 2022 data differ from those published in the 2022 Statement of Non-Financial Information due to additional update and checks.

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

	2023					2022				
	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)	6.8	—	4.1	47.1	48.8	6.7	0.2	4.9	51.8	43.1
Managers	38.0	1.6	16.3	56.0	26.1	37.5	0.9	17.2	60.2	21.7
Rest of employees	55.2	14.3	20.8	39.2	25.7	55.9	11.1	22.6	42.2	24.1
Mexico										
Management team (1)	3.2	1.3	31.5	37.0	30.2	3.1	1.2	31.9	35.8	31.2
Managers	31.4	23.4	47.2	19.2	10.2	30.6	23.5	47.4	19.4	9.8
Rest of employees	65.4	38.0	43.4	12.8	5.8	66.3	39.3	42.3	12.6	5.8
Turkey										
Management team (1)	3.5	0.1	22.9	49.9	27.1	4.0	—	24.2	53.4	22.4
Managers	38.1	2.7	47.5	44.0	5.8	39.1	2.5	50.4	42.0	5.1
Rest of employees	58.4	38.4	41.8	16.0	3.8	57.0	37.0	44.3	15.7	3.1
South America										
Management team (1)	4.1	0.3	22.0	43.7	34.0	3.9	0.7	21.2	45.1	33.0
Managers	28.0	12.7	37.8	30.6	18.9	27.8	12.4	38.3	30.7	18.6
Rest of employees	67.9	30.0	36.2	18.4	15.4	68.2	30.2	36.2	18.5	15.1
Rest										
Management team (1)	23.0	0.3	9.9	44.9	44.9	21.3	—	8.1	44.8	47.1
Managers	37.3	4.7	30.0	33.3	32.0	37.5	4.8	29.2	34.4	31.5
Rest of employees	39.7	28.3	17.8	19.3	34.6	41.2	19.8	20.7	22.6	37.0
Group average										
Management team (1)	4.5	0.4	17.8	44.0	37.8	4.5	0.5	18.3	46.3	35.0
Managers	33.5	11.6	37.5	35.8	15.1	33.3	11.0	38.6	36.8	13.5
Rest of employees	62.0	31.5	36.9	19.9	11.7	62.3	31.1	37.2	20.5	11.3

(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)

	2023			2022 [(2)]		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Spain						
Management team [(1)]	1,866	—	1	1,727	—	—
Managers	10,419	2	2	9,714	2	—
Rest of employees	14,901	19	200	14,187	16	299
Mexico						
Management team [(1)]	1,489	—	6	1,350	—	9
Managers	14,002	—	727	12,778	1	547
Rest of employees	28,311	—	2,356	25,659	—	3,167
Turkey						
Management team [(1)]	772	1	1	858	1	2
Managers	8,385	—	1	8,472	—	1
Rest of employees	12,549	15	292	12,255	12	83
South America						
Management team [(1)]	964	—	—	909	—	—
Managers	6,621	—	12	6,405	—	37
Rest of employees	14,737	186	1,159	13,899	202	1,697
Rest						
Management team [(1)]	342	—	1	295	—	—
Managers	553	1	2	516	1	3
Rest of employees	588	—	3	567	—	4
Group average						
Management team [(1)]	5,433	1	9	5,139	1	11
Managers	39,980	3	744	37,885	4	588
Rest of employees	71,086	220	4,010	66,567	230	5,250

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

[(2)] The data for 2022 differs from that published in the 2022 Non-Financial Information Statement due to additional updates and checks.

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

	2023			2022 (2)		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Spain						
Management team (1)	99.9	—	0.1	100.0	—	—
Managers	100.0	—	—	100.0	—	—
Rest of employees	98.6	0.1	1.3	97.8	0.1	2.1
Mexico						
Management team (1)	99.6	—	0.4	99.3	—	0.7
Managers	95.1	—	4.9	95.9	—	4.1
Rest of employees	92.3	—	7.7	89.0	—	11.0
Turkey						
Management team (1)	99.8	0.1	0.1	99.7	0.1	0.2
Managers	100.0	—	—	100.0	—	—
Rest of employees	97.6	0.1	2.3	99.2	0.1	0.7
South America						
Management team (1)	100.0	—	—	100.0	—	—
Managers	99.8	—	0.2	99.4	—	0.6
Rest of employees	91.6	1.2	7.2	88.0	1.3	10.7
Rest						
Management team (1)	99.7	—	0.3	100.0	—	—
Managers	99.4	0.2	0.4	99.2	0.2	0.6
Rest of employees	99.5	—	0.5	99.3	—	0.7
Group average						
Management team (1)	99.8	—	0.2	99.8	—	0.2
Managers	98.2	—	1.8	98.5	—	1.5
Rest of employees	94.4	0.3	5.3	92.4	0.3	7.3

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

(2) 2022 data differ from those published in the 2022 Statement of Non-Financial Information due to additional update and checks.

In 2023, the average annual proportion of full-time indefinite contracts, part-time indefinite contracts[59] and temporary contracts was 95.2%, 0.2% and 4.6%, respectively (in 2022, 94.6%, 0.9% and 4.5%, respectively[60]). In absolute terms, the annual average for 2023, was 113,235 full-time permanent contracts, 226 part-time permanent contracts and 5,525 temporary contracts (in 2022, 106,937, 1,014 and 5,080, respectively[61]).

[59] Part-time employees include full-time contracts with reduced working hours.
[60] The data for 2022 differs from that published in the 2022 Non-Financial Information Statement due to additional checks.
[61] The data for 2022 differs from that published in the 2022 Non-Financial Information Statement due to additional checks.

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

	2023			2022		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain						
Retirement and early retirement	162	97	65	187	117	70
Voluntary redundancies	28	17	11	7	5	2
Resignations	566	335	231	423	272	151
Dismissals	92	50	42	44	28	16
Others [(1)]	773	320	453	904	385	519
Mexico						
Retirement and early retirement	272	146	126	298	149	149
Voluntary redundancies	884	511	373	174	101	73
Resignations	2,577	1,219	1,358	2,963	1,483	1,480
Dismissals	1,691	931	760	1,605	893	712
Others [(1)]	784	450	334	668	381	287
Turkey						
Retirement and early retirement	2	1	1	126	55	71
Voluntary redundancies	163	81	82	83	42	41
Resignations	1,518	660	858	1,610	675	935
Dismissals	14	11	3	5	3	2
Others [(1)]	848	357	491	871	389	482
South America						
Retirement and early retirement	43	17	26	29	13	16
Voluntary redundancies	45	17	28	195	105	90
Resignations	1,957	781	1,176	2,194	957	1,237
Dismissals	698	306	392	678	304	374
Others [(1)]	884	361	523	928	403	525
Rest						
Retirement and early retirement	21	7	14	29	14	15
Voluntary redundancies	4	2	2	4	2	2
Resignations	60	28	32	97	72	25
Dismissals	37	26	11	13	8	5
Others [(1)]	24	12	12	29	16	13
Total Group	**14,147**	**6,743**	**7,404**	**14,164**	**6,872**	**7,292**
Retirement and early retirement	500	268	232	669	348	321
Voluntary redundancies	1,124	628	496	463	255	208
Resignations	6,678	3,023	3,655	7,287	3,459	3,828
Dismissals	2,532	1,324	1,208	2,345	1,236	1,109
Others [(1)]	3,313	1,500	1,813	3,400	1,574	1,826

[(1)] Others include permanent termination and death.

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

	2023					2022				
	Total	**<30**	**30-39**	**40-49**	**≥50**	**Total**	**<30**	**30-39**	**40-49**	**≥50**
Spain										
Retirement and early retirement	162	—	—	5	157	187	—	—	5	182
Voluntary redundancies	28	—	—	7	21	7	—	2	2	3
Resignations	566	185	223	130	28	423	132	198	80	13
Dismissals	92	9	26	39	18	44	3	13	12	16
Others (1)	773	213	286	184	90	904	204	357	242	101
Mexico										
Retirement and early retirement	272	—	—	—	272	298	—	—	—	298
Voluntary redundancies	884	386	412	76	10	174	85	77	9	3
Resignations	2,577	1,307	1,055	177	38	2,963	1,422	1,276	225	40
Dismissals	1,691	598	764	237	92	1,605	575	768	193	69
Others (1)	784	471	221	60	32	668	339	238	65	26
Turkey										
Retirement and early retirement	2	—	1	1	—	126	—	3	48	75
Voluntary redundancies	163	20	51	53	39	83	9	25	36	13
Resignations	1,518	699	539	228	52	1,610	713	668	201	28
Dismissals	14	3	7	4	—	5	—	5	—	—
Others (1)	848	329	367	122	30	871	373	370	112	16
South America										
Retirement and early retirement	43	—	2	1	40	29	2	1	—	26
Voluntary redundancies	45	—	7	4	34	195	11	46	43	95
Resignations	1,957	951	784	176	46	2,194	903	966	244	81
Dismissals	698	161	296	140	101	678	111	183	157	227
Others (1)	884	417	244	97	126	928	400	255	111	162
Rest										
Retirement and early retirement	21	—	—	—	21	29	—	—	—	29
Voluntary redundancies	4	1	—	1	2	4	—	1	1	2
Resignations	60	12	20	18	10	97	29	28	25	15
Dismissals	37	2	12	11	12	13	—	4	2	7
Others (1)	24	2	11	4	7	29	2	6	8	13
Total Group	**14,147**	**5,766**	**5,328**	**1,775**	**1,278**	**14,164**	**5,313**	**5,490**	**1,821**	**1,540**
Retirement and early retirement	500	—	3	7	490	669	2	4	53	610
Voluntary redundancies	1,124	407	470	141	106	463	105	151	91	116
Resignations	6,678	3,154	2,621	729	174	7,287	3,199	3,136	775	177
Dismissals	2,532	773	1,105	431	223	2,345	689	973	364	319
Others (1)	3,313	1,432	1,129	467	285	3,400	1,318	1,226	538	318

(1) Others include permanent termination and death.

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

	2023					2022				
	Total	<30	30-39	40-49	≥50	Total	<30	30-39	40-49	≥50
Spain										
Management team (1)	10	—	2	1	7	9	—	—	1	8
Managers	23	—	4	16	3	3	—	—	1	2
Rest of employees	59	9	20	22	8	32	3	13	10	6
Mexico										
Management team (1)	26	—	9	9	8	21	—	5	9	7
Managers	769	253	378	103	35	704	218	378	80	28
Rest of employees	896	345	377	125	49	880	357	385	104	34
Turkey										
Management team (1)	—	—	—	—	—	—	—	—	—	—
Managers	7	—	4	3	—	—	—	—	—	—
Rest of employees	7	3	3	1	—	5	—	5	—	—
South America										
Management team (1)	25	—	2	7	16	16	—	—	7	9
Managers	163	22	55	50	36	229	19	59	68	83
Rest of employees	510	139	239	83	49	433	92	124	82	135
Rest										
Management team (1)	9	—	2	2	5	3	—	—	1	2
Managers	17	1	3	8	5	4	—	1	1	2
Rest of employees	11	1	7	1	2	6	—	3	—	3
Total Group	**2,532**	**773**	**1,105**	**431**	**223**	**2,345**	**689**	**973**	**364**	**319**
Management team (1)	70	—	15	19	36	49	—	5	18	26
Managers	979	276	444	180	79	940	237	438	150	115
Rest of employees	1,483	497	646	232	108	1,356	452	530	196	178

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

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

	2023			2022		
	Total workforce turnover	Male	Female	Total workforce turnover	Male	Female
Spain	2.1	59.2	40.8	1.7	64.3	35.7
Mexico	5.7	47.3	52.7	7.1	50.1	50.0
Turkey	7.0	43.5	56.5	7.4	41.8	58.2
South America	8.3	39.9	60.1	9.6	43.6	56.4
Rest	4.2	46.7	53.3	7.2	74.2	25.8
Total	**5.6**	**45.3**	**54.7**	**6.6**	**47.4**	**52.6**

(1) Voluntary resignations = [Voluntary resignations (resignations) / average workforce for the period] * 100

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

	2023			2022		
	Total employee turnover rate	Male	Female	Total employee turnover rate	Male	Female
Spain	8.8	9.6	8.0	8.5	9.0	8.0
México	17.4	19.3	15.5	21.1	23.3	18.9
Turkey	12.5	12.9	12.2	12.8	13.0	12.5
South America	16.5	14.9	17.9	19.2	19.8	18.7
Rest	14.1	13.9	14.6	15.9	16.6	15.0
Total	**14.3**	**15.0**	**13.7**	**16.2**	**17.4**	**15.2**

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

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

	2023					2022				
	Total	**<30**	**30-39**	**40-49**	**≥50**	**Total**	**<30**	**30-39**	**40-49**	**≥50**
Spain	8.8	48.1	15.6	3.6	3.3	8.5	61.1	16.2	3.2	3.5
México	17.4	30.9	13.2	8.0	8.4	21.1	34.1	18.1	10.1	9.6
Turkey	12.5	31.2	8.0	4.7	7.7	12.8	32.8	8.6	4.3	8.3
South America	16.5	39.0	15.0	6.3	4.7	19.2	42.5	18.4	8.2	8.1
Rest	14.1	34.3	20.5	10.2	8.0	15.9	53.1	20.7	10.7	9.7
Total	**14.3**	**33.8**	**12.7**	**5.4**	**5.2**	**16.2**	**37.0**	**15.7**	**5.8**	**6.6**

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

2.6.3 Additional information on customer complaints

Customer Care Service and Customer Ombudsman in Spain

The activities of the Customer Care Service (SAC) and Customer Ombudsman in 2023 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). This regulation establishes in article 5 that the SAC and the Customer Ombudsman present,to the BBVA Board of Directors within the first quarter of each year, a joint or separate explanatory report of all BBVA Group entities included in the scope of this regulation, containing statistical summaries, the general criteria contained in the resolution of complaints regarding the most complained about matters and recommendations and suggestions to improve the service provided to customers and to avoid bad banking practices.

Based on the aforementioned regulations, the SAC is entrusted with the function of attending to and resolving claims and complaints received from customers in relation to the products and services marketed and contracted in Spanish territory by BBVA Group entities.

In addition, in accordance with the aforementioned regulation, the Customer Ombudsman is made aware of and resolves, in the first instance, all claims and complaints 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, it hears and resolves claims and complaints, within the quantitative limits established by the Regulations, which the customers decided to submit for its consideration after having obtained a rejection by the Customer Care Service.

Activity report on the Customer Care Service in Spain

At BBVA, customer protection is considered a top priority. It is recognized that, as in any human activity, banking can be affected by errors. Therefore, it is essential to anticipate the possibility of such errors occurring and proactively correct them. To this end, the pertinent protocols and delegations should be implemented to ensure that this process is as quick as possible without the need to file a claim.

To this end, the SAC is responsible for internally transferring the criteria and recommendations made by regulators in their reports, promoting compliance with regulations on transparency and customer protection. The service also ensures compliance with good banking practices and usages applied at BBVA. To this end, it participates in the various internal communication channels aimed at the commercial network or in the committees that authorize the creation of new products and services, among many other forums.

In addition, the SAC is entrusted with the task of attending to and resolving complaints from customers of the BBVA Group in Spain in a timely and appropriate manner. As such, it serves as an early warning mechanism for problems arising from the marketing of products or services and/or the relationship between the entity and its customers.

The management of these complaints results in actions aimed not only at solving the particular case, but also at detecting the causes that give rise to the specific case of the claim. The SAC analyzes complaints management data on an ongoing basis to identify and address recurring or systemic issues, and potential legal, operational and behavioral risks.

As a result of this analysis and evaluation work, the SAC coordinates and heads various committees and working groups in which recurring, systemic or potential problems of the entity are highlighted and in which solutions are studied, assessed and promoted with a view to the continuous improvement of the service provided by BBVA.

The SAC, in line with BBVA's values, provides coherence and meaning to all operations, playing an essential role in the relationship that BBVA establishes with its customers.

Complaints from BBVA Group users received at the BBVA Group Customer Service in Spain in 2023 amounted to 167,998 (151,246 in 2022) of which 138,827 were admitted (137,713 in 2022). On the other hand, 29,652 files were not admitted for processing because they did not comply with the requirements set forth in OM ECO/734 (including complaints pending at the end of 2022).

In the same period, 133,233 were resolved by the SAC itself (including complaints pending at the end of 2022). 11,309 were pending analysis as of December 31, 2023.

The increase in the inflow of complaints is mainly explained by the higher inflow of complaints related to mortgage loan formalization expenses.

The main types of complaints received in 2023 were those related to current accounts and mortgage loans.

Additional complaints data points as of December 31, 2023 and 2022 are provided below:

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (PERCENTAGE)		
Type	**2023**	**2022**
Resources	24	31
Active Products	20	22
Cards	11	15
Fraud	23	12
Quality of service and advice	6	6
Insurance	4	5
Services, receipts	5	2
Fixed and variable income securities	1	1
Other	6	6
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (NUMBER)		
	2023	**2022**
In favor of the person submiting the complaint	43,633	45,318
Partially in favor of the person submitting the complaint	7,143	6,421
In favor of the BBVA Group	82,457	83,569
Total	**133,233**	**135,308**

Activity report of the Customer Ombudsman in Spain

Once again this year, the Customer Ombudsman maintained the common objective with the BBVA Group of unifying criteria and favoring the defense and security of customers, in order to make progress in promoting compliance with transparency and customer protection regulations. In order to effectively convey his/her thoughts and criteria on the matters submitted for his/her consideration, the Ombudsman organized several meetings with the Group's areas and units.

In the 2023 financial year, 2,005 customer complaints were filed with the Customer Ombudsman's Office (1,817 in 2022). Of these, 22 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 75 were pending as of December 31, 2023.

42.33% of customers who brought complaints before the Customer Ombudsman during the course of 2023 obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman Office in 2023 (58.9% in 2022). Customers who are not satisfied with the Customer Ombudsman’s response can go to the official supervisory bodies (the Bank of Spain, the CNMV and General Directorate of Insurance and Pension Funds). 137 complaints were filed by customers to supervisory bodies in 2023 (112 in 2022).

BBVA 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 2023, due to the type of complaints received, the Ombudsman's suggestions focused on the need for measures to be taken to improve customer service protocols, especially in matters such as pension plans and blocking, and, as in previous years, to reinforce and improve the measures the Bank is taking to prevent and raise awareness among customers about cyber fraud.

The data on complaints handled by the Customer Ombudsman by type, at the close of 2023 and 2022, are set out below:

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (NUMBER)		
Type	**2023**	**2022**
Insurance and welfare products	772	800
Assets operations	72	85
Investment services	24	36
Liabilities operations	73	38
Other banking products (credit card, ATMs, etc.)	482	582
Collection and payment services	362	174
Other	220	102
Total	**2,005**	**1,817**

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 2023 and 2022, are as follows:

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (NUMBER)	2023	2022
Formal resolution	—	—
Estimate (in whole or in part)	875	700
Dismissed	1,168	1,064
Processing suspended	2	—
Total	**2,045**	**1,764**

2.6.4 ESG analysts and ratings

BBVA participates annually in the main sustainability analyses carried out by entities (non-financial rating agencies) that measure performance in environmental, social and corporate governance aspects. Based on the scores obtained from these evaluations, companies are selected to be part of specific sustainability indices.

Dow Jones Sustainability Indices	MSCI ESG Ratings	FTSE4Good
84 points / 100 Member of DJSI World and DJSI Europe 1st Bank in Europe and among its peers	AA rating Member of the MSCI ESG Leaders Indexes (1)	ESG Rating 4.7 / 5 Member of the FTSE4 Good Index Series

Moody's Analytics	Morningstar Sustainalytics	Bloomberg Gender-Equality Index 2022	CDP
ESG Score 62 / 100 (robust)	ESG Risk Rating 23,2 (medium risk) (2)	77.35puntos /100 Member of Bloomberg Gender-Equality Index	Score B (3)

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(3) Result on data reported as of 12/31/2021. As of the date of publication of this report, the assessment on data reported as of 12/31/2022 has not yet been published.

Additionally, since 2020, the Bank has been part of the Nasdaq Sustainable Bond Network (NSBN), a platform that brings together the different issuers of sustainable debt worldwide and serves as a clear reference for socially responsible investment.

2.6.5 Operations analyzed under the Equator Principles

The data of the financed operations that were analyzed under the Equator Principles (for more information on the application of these criteria, see "Sustainability policies and frameworks" within the section "2.1.4 Dialogue and discussion with customers, industry and the public sector) during the years 2023 and 2022 are detailed next:

DATA OF FINANCED TRANSACTIONS ANALYZED ACCORDING TO THE EQUATOR PRINCIPLES CRITERIA

Category A (1)			Category B (2)			Category C (3)		
	2023	2022		2023	2022		2023	2022
Number of transactions	5	4	Number of transactions	25	12	Number of transactions	13	9
Total amount (millions of euros)	21,326	15,776	Total amount (millions of euros)	12,675	14,281	Total amount (millions of euros)	15,986	15,938
Amount financed by BBVA (millions of euros)	957	604	Amount financed by BBVA (millions of euros)	1,597	1,219	Amount financed by BBVA (millions of euros)	1,020	994

(1) Category A: projects with potentially significant adverse social or environmental impacts that are irreversible or unprecedented.

(2) Category B: projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

(3) Category C: projects with minimal or no social or environmental impacts.

Out of a total of 54 operations analyzed (100% of the operations under the scope of the Equator Principles, in 2022: 40), 43 were signed in 2023 (25 in 2022) and 11 deals were rejected on grounds related to business and risk (credit, environmental and social) of the deals (15 deals were rejected in 2022).

Of the operations signed in 2023, 53,5% were in the infrastructure sector, 32,6% in the power sector, 2,3%in the oil and gas sector and 11,6% in others sectors. By geographic area, 51,2% were located in Europe, Middle East and Africa (EMEA), 46,5% in the Americas and 2,3% in Asia.

3. Financial information

3.1 BBVA Group

3.1.1 Main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)	31-12-23	Δ %	31-12-22	31-12-21
Balance sheet (millions of euros) [1]				
Total assets	775,558	8.9	712,092	662,885
Loans and advances to customers (gross)	388,912	5.5	368,588	330,055
Deposits from customers	413,487	4.8	394,404	349,761
Total customer funds	577,853	6.1	544,576	496,954
Total equity	55,265	9.4	50,517	48,760
Income statement (millions of euros) [1]				
Net interest income	23,089	20.7	19,124	14,686
Gross income	29,542	19.4	24,743	21,066
Operating income	17,233	22.7	14,042	11,536
Net attributable profit (loss)	8,019	26.1	6,358	4,653
Net attributable profit (loss) excluding non-recurring impacts [1][2]	8,019	22.3	6,559	5,069
The BBVA share and share performance ratios				
Number of shares outstanding (million)	5,838	(3.2)	6,030	6,668
Share price (euros)	8.23	46.0	5.63	5.25
Adjusted earning (loss) per share (euros) [1][2]	1.32	26.8	1.04	0.71
Earning (loss) per share (euros) [1][2]	1.29	32.0	0.98	0.67
Book value per share (euros) [1][2]	8.86	13.9	7.78	6.86
Tangible book value per share (euros) [1][2]	8.46	13.9	7.43	6.52
Market capitalization (millions of euros)	48,023	41.4	33,974	35,006
Dividend yield (dividend/price; %) [2][3]	5.7		6.2	2.6
Significant ratios (%)				
Adjusted ROE (net attributable profit (loss)/average shareholders' funds +/- average accumulated other comprehensive income) [1][2]	16.2		14.4	11.4
Adjusted ROTE (net attributable profit (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) [1][2]	17.0		15.1	12.0
Adjusted ROA (profit (loss) for the period / average total assets - ATA) [1][2]	1.12		0.99	0.94
Adjusted RORWA (profit (loss) for the period / average risk-weighted assets - RWA) [1][2]	2.38		2.12	2.01
Efficiency ratio [1][2]	41.7		43.2	45.2
Cost of risk [1][2]	1.15		0.91	0.93
NPL ratio [1][2]	3.4		3.4	4.1
NPL coverage ratio [2]	77		81	75
Capital adequacy ratios (%)				
CET1 fully-loaded	12.67		12.61	12.75
CET1 phased-in [4]	12.67		12.68	12.98
Total ratio phased-in [4]	16.58		15.98	17.24
Other information				
Number of active customers (million)	71.5	6.3	67.3	60.8
Number of shareholders [5]	742,194	(7.4)	801,216	826,835
Number of employees	121,486	5.0	115,675	110,432
Number of branches	5,949	(1.5)	6,040	6,083
Number of ATMs	30,301	1.7	29,807	29,148

(1) Balances as of 31-12-2022 restated according to IFRS 17 - Insurance contracts.

(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. As of December 31, 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.

(5) See the footnote of the shareholder structure table in the Solvency chapter of this report.

3.1.2 Macroeconomic and regulatory environment

Macroeconomic and sectoral environment and outlook

Economic global growth has slowed down through 2023 and, particularly, during the last months, due to the high inflation, the tightening of monetary conditions and the gradual fading of the positive effects linked to the reopening after the COVID-19 pandemic. The slowdown has been, in general, less harsh than expected, and economic activity remains relatively dynamic, particularly in the Unites States, thanks to the dynamism of the labor markets, expansionary fiscal policies and the gradual fading of supply shocks triggered by the pandemic and the war in Ukraine.

Falling commodity prices compared to the levels seen in 2022 and the improvements in production process bottlenecks have contributed to a significant moderation of inflation. which, in annual terms, reached 3.4% in the United States and 2.9% in the Eurozone in December 2023, far below the levels registered at the end of 2022 (6.5% in the United States and 9.2% in the Eurozone).

In this context, the process of interest rate hikes launched approximately two years ago seems to have reached an end. According to BBVA Research, it is most likely that inflation will keep evolving favorably in the next months, enabling the start of a gradual process of relaxation of monetary conditions around mid-2024, which would take monetary policy interest rates to around 4.50% in the United States and 3.75% (in the case of refinancing operation rates) in the Eurozone by the end of 2024. However, it cannot be ruled out that monetary policy benchmark rates might be reduced more quickly in the future, mainly if inflation evolves surprisingly on the downside. In any case, it is expected that both the U.S. Federal Reserve ("Fed") and the European Central Bank ("ECB") will continue taking liquidity reduction measures over 2024.

BBVA Research forecasts that global growth will be approximately 3.0% in 2024 (unchanged from the previous forecast and similar to the forecasted for the GDP growth in 2023) In the United States, strong domestic demand supports a slightly upward revision of growth forecasts for 2023, from 2.3% to 2.4%, but the restrictive monetary conditions are likely to contribute to a growth deceleration in 2024, to 1.5%, without changes from the previous forecast. In China, structural challenges to avoid a fast economic deceleration remain, but a series of stimulus measures have enabled a greater than expected dynamism of activity in the past few months, which supports an upward revision of the growth in 2023 from 4.8% to 5.2%. The GDP growth forecast for 2024 remains unchanged at 4.4%. In the Eurozone, economic activity came to a standstill in the last months, reinforcing the low growth prospects; the forecast of the GDP expansion of the region remains at 0.4% for 2023 and it has been cut from 1.0% to 0.7% for 2024.

In this context of below potential growth and still high interest rates, aggregate demand moderation will probably favor an additional inflation reduction, which, however, would remain somewhat over the inflation targets in the United States and the Eurozone until the end of 2024.

In any case, uncertainty remains high, and a number of factors could lead to more adverse scenarios unfolding. Persistently high inflation and high interest rates, due to eventual supply shocks generated by the current geopolitical turbulence, and particularly by the recent maritime trade disruptions in the Red Sea, or other factors, could trigger a deep and widespread recession, as well as new bouts of financial volatility. Moreover, the slowdown in China could end up being more severe than expected. Finally, current geopolitical turbulence might contribute to higher energy prices and new disruptions in global supply chains.

REAL GDP GROWTH AND INFLATION (REAL PERCENTAGE GROWTH)

	2023		2024	
	GDP	INFLATION	GDP	INFLATION
World	3.00	6.90	3.00	5.50
Eurozone	0.40	2.90	0.70	2.40
Spain	2.40	3.10	1.50	3.20
The United States	2.40	3.40	1.50	2.40
Mexico	3.40	4.70	2.90	3.50
South America (1)	1.40	38.10	0.80	31.40
Turkey	4.50	64.80	3.50	45.00
China	5.20	-0.30	4.40	2.00

Source: BBVA Research estimates. Inflation end of period.

(1) It includes Argentina, Brazil, Chile, Colombia, Paraguay, Peru and Uruguay.

Exchange rate evolution

The performance of the Group's main currencies during 2023 has been very uneven. Due to its relevance for the Group, it should be noted the strength of the Mexican peso, which has appreciated (1.2)% against the euro. The other currency which stands out was the Colombian peso (2.5%). On the other hand, the depreciation of both the Turkish lira (-11.0%), mainly concentrated in June after the elections, and the Argentinian peso (-58.5%) intensified in the last quarter of the year after the measures enacted by the new government , stands out. In both cases, the currencies have been pressured by the negative dynamism of inflation. The rest of currencies evolved moderately during the year: the Peruvian sol (+-2.6%), the U.S. dollar (+(4.1)%) and the Chilean peso (-1.7%).

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	
	31-12-23	Δ % on 31-12-22	Δ % on 30-09-23	2023	Δ % on 2022
U.S. dollar	1.1050	(3.5)	(4.1)	1.0815	(2.6)
Mexican peso	18.7231	11.4	(1.2)	19.1866	10.4
Turkish lira (1)	32.6531	(38.9)	(11.0)	—	—
Peruvian sol	4.1042	(1.1)	(2.6)	4.0404	(0.2)
Argentine peso (1)	892.81	(78.9)	(58.5)	—	—
Chilean peso	977.47	(6.2)	(1.7)	908.35	1.0
Colombian peso	4,223.37	21.5	2.5	4,679.22	(4.5)

(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

During 2023, regulators have kept their previous lines of work, such as the implementation of the Basel III framework or the improvement of the bank recovery and resolution framework. In terms of sustainable finance, the developments have continued in promoting coordination between the different regulatory bodies, including risks related to environmental, social and governance (ESG) aspects in the prudential field and continuing to develop standards of reporting and disclosure requirements. Finally, the agenda in digital finance has been marked by the progress of the regulatory framework for crypto assets, data, artificial intelligence and the digital euro, among other issues.

1. Prudential framework: progress in Basel III and review of the crisis management framework

At the global level, during 2023, the report published by the BCBS about financial turmoil is worthy of mention, in which it is concluded that three structural trends might have contributed indirectly to the bank failures: the increasing role of non-bank financial intermediation, the exposure to crypto assets concentrated in a small number of banks and the ability of clients to move their funds more quickly due to the increasing digitalization. This report complements those issued in the United States by the Federal Reserve Bank (FED) and the Federal Deposit Insurance Corporation (FDIC), institutions that, in April, published their findings on the facts, which the FDIC re-examined in August.

The BCBS also published a consultation on the review of the Core Principles for Effective Banking Supervision. This review mainly updates the core principles in order to reflect changes that have already been implemented to the regulatory framework through the Basel standards. Additionally, the BCBS has continued to evaluate the risks and vulnerabilities of the global banking system and to monitor the implementation of the Basel III regulatory reform. Additionally, the BCBS published a public consultation document related to banks´disclosure of their exposure to crypto assets and another one related to the climatic risk disclosure framework under Pillar III.

In the European prudential area, the final agreement reached by the end of the year between the Council of the European Union (hereinafter, Council) and the European Parliament (hereinafter, EP), about the transposition of the international rules of capital requirements known as Basel III, is noteworthy. The proposal presented by the European Commission (hereinafter, Commission) by the end of 2021, the “Banking Package”, aims to boost the resilience of the banks that operate in the European Union (hereinafter, EU) and to strengthen its supervision and risk management, as well as to ease the transition towards climate neutrality. This package comprises the proposal for the Capital Requirements Directive (CRD VI, which amends the earlier CRD V) and the proposal for the Capital Requirements Regulation (CRR III, which amends the earlier CRR II). In the agreement, regulators have agreed on how to implement the so-called “output floor”, which limits the variability of banks´ capital levels through internal models, as well as the provisional transitions so that entities have enough time to adapt. Regulators have also agreed to include technical improvements in the areas of credit risk, market risk and operational risk. Likewise, the agreement includes a harmonized framework suitable for the members of the institutions´ management bodies and of the key functions´ holders. In this package a prudential provisional transition for crypto assets and for the definition of different ESG-related risks, and adjustments to improve banks´management of these risks, have also been agreed. Likewise, it has been decided to harmonize the minimum requirements for branches of third country banks and the supervision of their activities in the EU. The entry into force of these changes will be gradual and it is planned to take place from 2025 onwards. The EBA is already working to update the CRR III implementation standards (in December it published two consultations on the requirements of supervisory information and the outreach of Pillar III). Apart from the publications resulting from the future implementation of the banking package, the EBA published in December an update of the Guidelines on the specification and disclosure of systemic importance indicators, as well as modifications to the implementing technical standards of MREL and TLAC disclosure and reporting, which shall apply from June 2024.

The Bank of England, for its part, has delayed the implementation of Basel III for six months until July 1, 2025, but the transitional period will be reduced to 4.5 years, meaning that the framework will be fully implemented by January 1, 2030, in line with the EU.

In the United States, the FED published in July a proposal to implement Basel III, with the full implementation of the standard by July 1, 2028. Along with this consultation, the FED published a proposal with specific changes to the buffer for global systemically important banks, known as G-SIB, with the main purpose of adjusting the buffer to entities´ risk profile.

Additionally, worthy of note are the publication from the European Banking Authority (EBA) of the proposal of modification of the reporting about interest rate risk in the investment portfolio and the publication of the public consultation about its project of technical standards of execution relative to the specific requirements of information presentation due to market risk. The EBA has also published its final RTS about securitization, in which conditions for the evaluation of the consistency of the underlying exposures are established in a number of simple, transparent and standardized (STS) securitization within the balance sheet.

Lastly, the ECB also published a consultation about the revised Guide of internal models, which clarifies how credit entities must include in their models climatic and environmental relevant risks. It also offers clarifications for the banks that wish to return to the standard method to calculate their risk-weighted assets.

In September 2023, the Bank of Spain (BdE, for its acronym in Spanish) adapted its methodology of minimum floors to evaluate the OSIE (Other Systemically Important Entities) capital buffers to the standard published by the ECB in December 2022 and which shall be applicable from January 1, 2024. The new standard pretends to homogenize the establishment of these buffers in Europe, raising the minimums.

In terms of the crisis management framework, at the global level, the FSB consultation on financial resources and tools that could be used for the resolution of the central counterparty entities is worthy of mention.

In Europe the Commission presented a crisis management and deposit insurance (CMDI) framework reform proposal with the purpose of: i) making it more proportional, efficient and consistent in the management of the resolution or liquidation of any bank in the EU, ensuring the adequate funding of the process, and (ii) improving the synergies between crisis management and depositor protection, taking measures to complete the European banking union . In order to meet these goals, it is proposed to extend the scope of the resolution, clarifying and homogenizing other essential concepts. Moreover, it is intended to reinforce and extend the functions of the deposit guarantee funds (DGF) to, among other objectives, ease its use in resolution. At the moment, the EP and the Council are debating about the legislative package.

For its part, the EBA has published the final document with the Guidelines on the overall recovery capacity (ORC) in recovery planning. The objective is to establish a consistent framework for the determination of the ORC in recovery plans and their respective assessments by the competent authorities. The EBA also published its final Guidelines directed towards the resolution authorities so that they publish their approach to applying the bail-in in order to provide more transparency to market participants.

In Spain, the BdE has made the revised EBA Guidelines on methods for the calculation of contributions to deposit guarantee funds its own.

In the United States, regulatory agencies published a series of proposals linked to bank resolution. First, they aim that banks with assets amounting to more than 100 billion dollars issue long-term debt in order to cover potential losses in times of stress (with a gradual implementation of the requirement). In addition, other requirements to improve bank separability or to adjust resolution plans (both in terms of publication frequency and of publication content) are included.

2. ESG: progress in information disclosure

In 2023, regulatory activity in ESG matter for the banking system continued to progress in line with the previous years. Likewise, development in other geographical areas continued.

At global level, it is important to highlight some initiatives driven by global institutions such as those of the International Sustainability Standards Board (ISSB), created in November 2021 by the International Financial Reporting Standards (IFRS) Foundation. In June 2023, the ISSB published the opening standards of disclosure about sustainability, IFRS S1 and IFRS S2. The IFRS S1 offers a number of disclosure requirements designed to enable companies to inform their investors about the sustainability-related risks and opportunities that they face in the short, medium and long term. The IFRS S2 establishes specific climate-related disclosures and it is designed to be used in conjunction with the IFRS S1. These standards include the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The ISSB seeks the establishment of a global basis for the disclosure of sustainability-related financial information and will work together with jurisdictions and companies to promote its implementation. In July 2023, the International Organisation of Securities Commissions (IOSCO) announced its support to the ISSB standards.

In respect of the European banking system, regulatory activity continued to progress, in line with the renewed strategy of 2021 of sustainable finance. As a reflection of the importance of ESG issues in the supervision and, as will be discussed later, during 2023, supervisory activities related to climatic risk have focused in complying with the commitments (action plan) of the thematic review of 2022.

Europe has continued to integrate ESG concepts in the prudential regulation, in the supervision and in the reporting requirements. In respect of the sustainability reporting standards, the entry into force, in January 2023, of the Corporate Sustainability Reporting Directive (CSRD) is worthy of mention. The Directive introduces more detailed obligations about environmental, social and governance issues than the earlier Non-Financial Reporting Directive (NFRD). For its development, the first package of European Sustainability Reporting Standards (ESRS) has been approved, prepared by the European Financial Reporting Advisory Group (EFRAG), advising body to the Commission. It comprises twelve ESRS with high level of detail and which extensively describe the both general and specific requirements about different sustainability factors, not only environmental, that entities shall observe when preparing information. In December, EFRAG published three implementation guides for consultation on materiality, value chain and datapoint analysis. The EC proposes to postpone the adoption of sectoral ESRS to June 30, 2026. In the same month, EFRAG and the Task Force on Nature-related Financial Disclosures (TNFD) signed an agreement of cooperation to tackle nature-related issues and improve the corporate transparency related to biodiversity and ecosystems.

On October 12, the EBA published its report on prudential treatment of environmental and social risks, after the discussion paper published in May 2022. This report reaffirms the need of maintaining a focus based on risks and the fact that at this point it does not consider necessary the introduction of adjustment factors that increase the capital requirement for brown exposures or that reduce it for green ones. On the contrary, it does propose a series of adjustments to the framework, with measures in the short and in the medium/long term.

In respect of taxonomy, in June 2023, the Commission announced a new measure package in order to boost and consolidate regulation on sustainable finance in the European Union. This package includes technical selection criteria to determine if an economic activity is aligned with the environmental goals of taxonomy that were pending: sustainable use and protection and recuperation of biodiversity and ecosystems. The estimated date for the application of these standards is January 1, 2024.

After the adoption of the Regulation on European green bonds by the European Parliament, in October 2023, the Council formally adopted the Regulation. The Regulation establishes uniform requisites for the bond issuers that wish to use the denomination “European green bond” or “EuGB” for their sustainable bonds from the environmental point of view. The Regulation also establishes a registration system and a supervision framework for the EuGB external verifiers.

In June 2023, European Supervision Authorities (EBA, EIOPA and ESMA, ESAs) made their Progress Reports on greenwashing public. These reports provide a high level definition of what is considered to be greenwashing, applicable to market participants within their respective competencies; banking, insurance and pensions and financial markets. Final reports are expected by May 2024.

In December, an agreement was reached about the proposal of the Directive on corporate sustainability due diligence, proposed by the Commission in February 2022. This directive requires that companies of all sectors identify and prevent, end or mitigate the negative impact of their activities, as well as of their subsidiaries´ operations and of their supply chains, on human rights and the environment. Once the Directive is adopted, member States will have two years to integrate it into their national legislation.

Moreover, on 1 December, the Fit-for-55 climate risk scenario analysis exercise started. The deadline set to submit information to authorities is March 25, 2024. This is an exercise in which all the relevant banks will take part with a top-down approach, and whose results will be published in an aggregated form in the first quarter of 2025. The result of the exercise will not affect the annual evaluation process (SREP). The focus of the exercise will be on the transition risk rather than the physical risk.

3. Financial markets and behavior

Europe continues to work towards the acceleration of the implementation of the Action Plan for the Capital Markets Union (CMU). For that matter, the following actions are worthy of mention:

- In May the Commission published a package of measures intended to promote the retail investment known as RIS (Retail Investment Strategy). With these measures it seeks to equate behavior standards and obligations of entities in their product distribution, regardless of those being financial instruments (regulated in MIFID) or insurance-based investment products (IBIP).

- In July, the EP and the Council reached an agreement to improve the regulatory framework of investment funds. This agreement reviews the alternative asset funds managers Directive (AIFMD) guiding hedge funds, private-equity funds, investment capital funds, private credit investment funds, real-state funds and other alternative investment funds managers of the EU and the Directive on undertakings for collective investment in transferable securities (UCITS).

- European regulators have approved the final texts of the markets in financial instruments and amending Regulation (MiFIR) and of the second markets in financial instruments Directive (MiFID 2), whose proposal was presented by the Commission in November 2021. The changes in these standards seek to improve market transparency, to ease access to data and to create infrastructures that make European markets competitive.

- In respect of the European Market Infrastructure Regulation (EMIR), the proposal of modification made by the Commission in December 2022 in order to reduce the risks that the high concentration of positions in some cameras outside the EU poses for the financial stability (Tier 2 central counterparties, CCP) remains on the table. Although there is not consensus in the Council nor the EP yet, the main measures might mean the requirement to settle a percentage of transactions in UE CCP. The proposal also includes a CRD modification which might introduce Pillar Two standards for the matched positions in Tier 2 CCP.

- In May, the EP and the Council reached a temporary agreement to create a European Single Access Point (ESAP) of public financial information and related to sustainability of the companies and investment products of the EU. The ESAP is aimed at easing the decision-making process to investors, as it will be simpler to find and compare investment products and companies, including SMEs. The platform is expected to be available in 2027.

- In July, the EP and the Council reached an agreement on the update of standards related to central securities depositories (CSD). The new regulation seeks to improve the efficiency of securities settlement in the EU through the compliance cost and regulatory burdens reduction for the CSD, and thus enable them to offer cross-border services and improve cooperation among supervisors.

Among the publications made by the European Securities and Markets Authority (ESMA), the following are worthy of mention: the final report on guidelines on MiFID II product governance requirements, the official translations of the guidelines on the new communication model for operations subject to EMIR introduced by EMIR Refit, and the final report on draft regulatory technical standards (RTS) to harmonize the central counterpart entities policies and procedures (CCP) to select, evaluate and revise the anti-cyclical margins measures.

In respect of benchmark indices, the Commission published a indices regulation revision proposal, the Benchmark Regulation (BMR). The regulation scope change proposal is noteworthy, as only the indices regarded as critical or significant, or those labelled as EU Climate Transition Benchmark or EU Paris-Aligned Benchmark will be subject to this regulation. The proposal schedules the implementation of this revision as of January 1, 2026. For their part, the ESMA and the Financial Conduct Authority (FCA) have agreed a new memorandum of understanding (MOU) on the cooperation and exchange of information regarding the benchmark index administrators based in the United Kingdom.

In Spain, the approval of the Securities Markets and Investment Services Law is worthy of mention, in order to enable the development of Spanish securities markets in the current competitive environment aligned with the European regulation novelties. A transitional period of two years is introduced from the entry into force of this law for the elimination of previous information systems for the security trading, clearing, settlement and registration. Accordingly, in November the following Royal Decrees (RD) were published in the Official State Bulletin (BOE, abbreviated in Spanish): i) Royal Decree on financial instruments, admission to trading, registration of negotiable securities and market infrastructures, ii) Royal Decree approving the development Regulation of the Law 35/2003 on collective investment institutions (IIC, abbreviated in Spanish), iii) Royal Decree on the legal regime of investment services companies and other investment services entities (ESI, abbreviated in Spanish) and iv) Royal Decree developing the administrative powers and faculties of the CNMV.

Moreover, the entry into force of the Circular 1/2023 on the information to be forwarded to the BdE on covered bonds and other loan mobilization instruments, which includes the requirements concerning mortgage bonds and mortgage transfer certificates.

4. Regulation in the environment of the digital transformation of the financial sector: data, payments, crypto, digital euro and artificial intelligence.

In 2023, digitization continued to be a priority for European authorities, which have continued progressing in the implementation of the digital strategy defined by the Commission in 2020, and whose fundamental pillars are, among others, the strengthening of the use of data and the development and regulation of artificial intelligence. In respect of the first pillar, the Commission adopted in July a new adequacy decision for the EU-United States transfer of data. In addition, the Council and the EP have finally reached an agreement on the new data Regulation concerning the access and deployment of data generated in the EU in all economic sectors, with special focus on the Internet of Things.

Another area which has drawn the most attention at the international level has been the development and regulation of artificial intelligence (AI). At the global level, the G7 leaders agreed in May an Action Plan to promote global interoperability among tools for a trustworthy AI. In this manner, they have embraced the main international guiding principles on IA and a voluntary code of conduct for AI developers, which will complement, at the international level, the standards that EU co-legislators are finalizing. In this international context, worthy of note is the EU-United States Joint Declaration of the Trade and Technology Council, where the commitment to develop a roadmap for a trustworthy AI and its risks management was restated, complementing the G7 process. At the European level, in December the political agreement regarding the new IA Regulation was reached, which will introduce specific requirements for the systems that use this technology according to the generated risk.

In the financial area, the Commission presented in mid-2022 a proposal for a regulation on financial data access (FIDA), which includes a new legal obligation so that financial entities share with authorized third parties certain data categories, such as data related to mortgages, credit and savings accounts and investment products.

In respect of other legislative initiatives, the Commission presented by the middle of the year two proposals to review the second directive of payment services (PSD2): a new Directive (PSD3), which contains the authorization requirements for payment and electronic money entities, and a new Payment Services Regulation (PSR), in which requirements applicable to the delivery of payment services in the EU are updated, with relevant changes in terms of fraud and account information and payment initiation from third parties services.

Apart from that, the EP and the Council have reached a temporary agreement on the proposal of a new Regulation on instant payments to boost its use in all the EU. Moreover, in June 2023, the EP and the Council reached a provisional agreement on the Regulation on electronic identification and trust services for electronic transactions (eIDAS), which establishes the creation of digital identity wallets.

At the global level, the Roadmap for Enhancing Cross-border Payments launched by the G20 in 2020 continues to advance, as shown in the third progress report published by the FSB. This report includes for the first time an estimate of the project Key Performance Indicators (KPIs), which show that the cost, speed, accessibility and transparency goals set for 2027 are still far from being achieved. However, the FSB is optimistic about the evolution in the coming years.

One of the topics that has drawn the most attention from international bodies and regulators in 2023 has been crypto-assets. At the global level, the FSB published in July the international regulatory framework for the crypto-assets activities, with general recommendations for the regulation, supervision and surveillance of their activities, as well as a revision of the high level recommendations for global stablecoins. Additionally, in May, IOSCO submitted a series of recommendations about crypto-assets to consultation in order to address the worries concerning market integrity and investor protection.

At the European level, the EP and the Council reached an agreement in April and approved the new Regulation on Markets in Crypto-assets (MiCA), which imposes a series of obligations for the issuers and providers of crypto-assets services and which will come into force in 2024. Once the regulation has been officially approved, both the ESMA and the EBA are working on the secondary legislation of the MiCA.

Furthermore, the European project for the possible issuance of a digital euro - a digital central bank currency for retail use - also saw process in 2023. On the one hand, the Commission proposed in June a legal framework for the possible digital euro, in which its features and distribution model were set, and whose negotiation began in the last quarter of 2023. On the other hand, the ECB - with whom lies the final decision of issuing a digital euro - finalized in October the research phase on the digital euro and initiated a preparation phase that will lay the foundations for a possible digital euro and which will have a initial duration of two additional years. Then, the ECB Governing Council will decide whether to give or not the green light to the next preparation phase in order to pave the way for the possible issuance.

The ecosystem of decentralized finance (DeFi) has also began to draw regulators´attention. Thus, last year the IOSCO submitted to consultation recommendations for decentralized finance, which pretend to address challenges such as market integrity and investor protection.

In respect of the new European Digital Operative Resilience Act (DORA), which is aimed at ensuring that the EU financial sector can continue to function resiliently in the event of major operative disruption, the ESAs (EBA, ESMA and EIOPA) have been working on the development of the secondary legislation.

5. Other regulatory areas

With regard to the money laundering regulation, in Europe the EBA Guidelines on money laundering and terrorist financing risk factors (ML/RF) were published, as well as the Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services. In addition, the Guidelines on ML/TF risk factors have been submitted to consultation in order to include the crypto-asset services providers (CASP).

Additionally, at the European level, on October 30, 2023, the Directive (EU) on credit agreements for consumers was published, and it came into force on 19 November, meaning that Member States will adopt and publish at the latest on November 20, 2025 the necessary legal, regulatory and administrative dispositions and will implement those measures form November 20, 2026 onwards. This new Directive broadens the scope of the current one, adapts the consumer credit concession to digital channels and introduces new requirements that will affect from the pre-contractual publicity and documentation, as well as consumer creditworthiness assessment and withdrawal periods, to the authorization process of certain creditors and credit intermediaries.

3.1.3 Results

Unless expressly indicated otherwise, for a better understanding of the changes under the main headings of the Group's income statement, the 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 BBVA Group generated a net attributable profit of €8,019m between January and December of 2023, boosted by the performance of recurring income of the banking business, mainly the net interest income, which grew at a rate of 28.6%. This result means an increase of 35.4% compared to the previous year, excluding the net impact arisen from the purchase of offices in Spain in 2022 from the comparison.

It should to be noted that 2023 results include the recording for the total annual amount paid for the temporary tax on credit institutions and financial credit institutions[62] for €215m, included in the other operating income and expenses line of the income statement. The estimated impact corresponding to the year 2024 is €285 million and will be recorded on the first quarter of 2024 in such caption of the consolidated income statement.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2023				2022			
	4Q	**3Q**	**2Q**	**1Q**	**4Q**	**3Q**	**2Q**	**1Q**
Net interest income	**5,246**	**6,434**	**5,768**	**5,642**	**5,334**	**5,252**	**4,595**	**3,943**
Net fees and commissions	1,694	1,685	1,470	1,439	1,328	1,385	1,413	1,247
Net trading income	753	658	334	438	269	573	516	580
Other operating income and expenses	(255)	(820)	(383)	(561)	(443)	(372)	(501)	(374)
Gross income	**7,438**	**7,956**	**7,189**	**6,958**	**6,489**	**6,838**	**6,022**	**5,395**
Operating expenses	(3,068)	(3,303)	(2,922)	(3,016)	(2,875)	(2,803)	(2,618)	(2,406)
Personnel expenses	*(1,693)*	*(1,756)*	*(1,530)*	*(1,551)*	*(1,547)*	*(1,471)*	*(1,344)*	*(1,238)*
Other administrative expenses	*(1,025)*	*(1,169)*	*(1,054)*	*(1,127)*	*(990)*	*(993)*	*(935)*	*(855)*
Depreciation	*(349)*	*(378)*	*(337)*	*(339)*	*(338)*	*(338)*	*(340)*	*(313)*
Operating income	**4,370**	**4,654**	**4,267**	**3,942**	**3,614**	**4,035**	**3,404**	**2,989**
Impairment on financial assets not measured at fair value through profit or loss	(1,225)	(1,210)	(1,025)	(968)	(998)	(940)	(704)	(737)
Provisions or reversal of provisions	(163)	(81)	(115)	(14)	(50)	(129)	(64)	(48)
Other gains (losses)	(49)	2	50	(16)	(6)	19	(3)	20
Profit (loss) before tax	**2,932**	**3,365**	**3,178**	**2,944**	**2,559**	**2,985**	**2,634**	**2,225**
Income tax	(799)	(1,226)	(1,028)	(950)	(850)	(1,005)	(680)	(903)
Profit (loss) for the period	**2,133**	**2,139**	**2,150**	**1,994**	**1,709**	**1,980**	**1,954**	**1,321**
Non-controlling interests	(75)	(56)	(118)	(148)	(146)	(143)	(120)	3
Net attributable profit (loss) excluding non-recurring impacts	**2,058**	**2,083**	**2,032**	**1,846**	**1,563**	**1,838**	**1,834**	**1,325**
Discontinued operations and Other (1)	—	—	—	—	—	—	(201)	—
Net attributable profit (loss)	**2,058**	**2,083**	**2,032**	**1,846**	**1,563**	**1,838**	**1,633**	**1,325**
Adjusted earning (loss) per share (euros) (2)	**0.34**	**0.34**	**0.34**	**0.30**	**0.25**	**0.29**	**0.29**	**0.21**
Earning (loss) per share (euros) (2)	**0.33**	**0.33**	**0.33**	**0.29**	**0.24**	**0.28**	**0.24**	**0.19**

General note: 2022 figures have been restated according to IFRS 17 - Insurance contracts.

(1) Includes the net impact arisen from the purchase of offices in Spain in the second quarter of 2022 for €-201m.

(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

[62] In compliance with Law 38/2022, of December 27, which establishes the obligation to pay a patrimonial benefit of a public and non-taxable nature during the years 2023 and 2024 for credit institutions that operate in Spanish territory whose sum of total interest income and fee and commission income corresponding to the year 2019 is equal to or greater than €800m.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	2023	Δ %	Δ % at constant exchange rates	2022
Net interest income	**23,089**	**20.7**	**28.6**	**19,124**
Net fees and commissions	6,288	17.0	21.3	5,372
Net trading income	2,183	12.6	31.8	1,938
Other operating income and expenses	(2,018)	19.4	(4.9)	(1,691)
Gross income	**29,542**	**19.4**	**30.3**	**24,743**
Operating expenses	(12,308)	15.0	19.7	(10,701)
Personnel expenses	*(6,530)*	*16.6*	*22.2*	*(5,601)*
Other administrative expenses	*(4,375)*	*16.0*	*21.3*	*(3,773)*
Depreciation	*(1,403)*	*5.6*	*5.1*	*(1,328)*
Operating income	**17,233**	**22.7**	**39.1**	**14,042**
Impairment on financial assets not measured at fair value through profit or loss	(4,428)	31.1	33.8	(3,379)
Provisions or reversal of provisions	(373)	28.3	64.8	(291)
Other gains (losses)	(13)	n.s.	n.s.	30
Profit (loss) before tax	**12,419**	**19.4**	**40.0**	**10,402**
Income tax	(4,003)	16.4	33.0	(3,438)
Profit (loss) for the period	**8,416**	**20.8**	**43.6**	**6,965**
Non-controlling interests	(397)	(2.1)	n.s.	(405)
Net attributable profit (loss) excluding non-recurring impacts	**8,019**	**22.3**	**35.4**	**6,559**
Discontinued operations and Other [1]	—	—	—	(201)
Net attributable profit (loss)	**8,019**	**26.1**	**40.1**	**6,358**
Adjusted earning (loss) per share (euros) [2]	**1.32**			**1.04**
Earning (loss) per share (euros) [2]	**1.29**			**0.98**

General note: 2022 figures have been restated according to IFRS 17 - Insurance contracts.

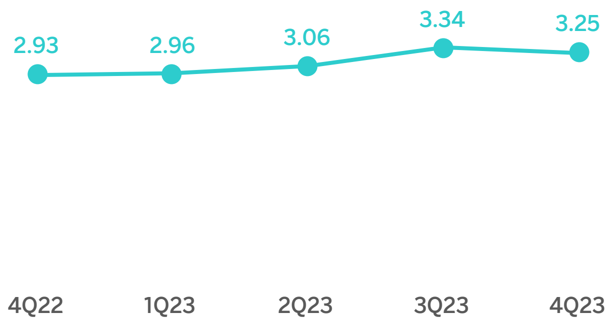
[1] Includes the net impact arisen from the purchase of offices in Spain in the second quarter of 2022 for €-201m.

[2] Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

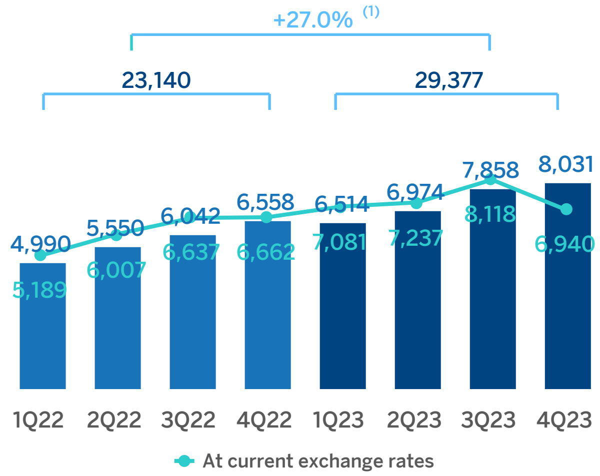
The accumulated net interest income as of December 31, 2023 was higher than in the same period of the previous year (+28.6%), with increases in all business areas, with a customer spread improvement in the main areas and higher performing loan volumes. The good evolution in Spain, Mexico and South America is noteworthy.

Positive evolution in the net fees and commissions line, which increased by 21.3% year-on-year due to favorable performance in payment systems and, to a lesser extent, asset management. By business areas, Turkey´s and Mexico´s contribution stands out.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)



NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

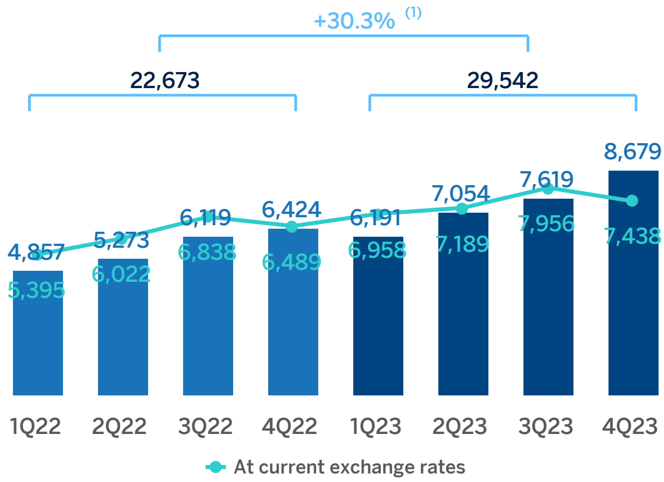


(1) At current exchange rates: +19.9%.

At the end of December 2023, NTI grew by 31.8%, with a positive performance of this line in all business areas, favored by the results of the Global Markets unit, which offset the negative results recorded on the Corporate Center.

The other operating income and expenses line accumulated as of December 31, 2023, a result that compares negatively with last year, mainly due to the higher negative adjustment for hyperinflation in Argentina. This line also includes the contribution to the public protection schemes for bank deposits in Spain, which in 2023 was lower than the previous year's contribution, and the recording of €215m, corresponding to the total annual amount paid for the temporary tax on credit institutions and financial credit establishments, also in Spain.

GROSS INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

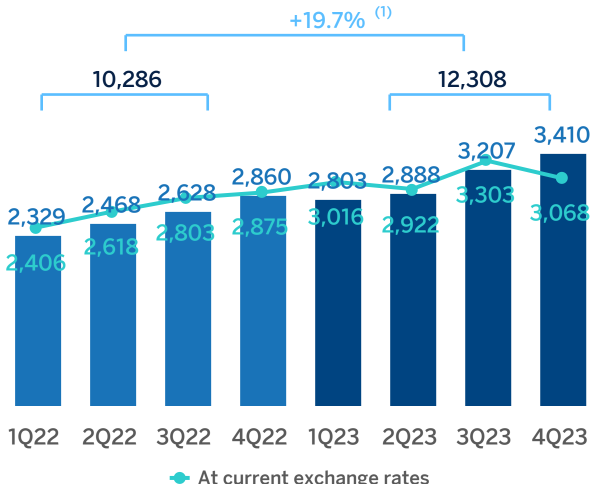


(1) At current exchange rates: +19.4%.

On a year-on-year basis, operating expenses increased by 19.7% at the Group level. This increase is largely impacted by the inflation rates observed in the countries in which the Group operates, which, on the one hand, have been affected by the measures implemented by the Group in 2023 to compensate the loss of purchasing power of the workforce and, on the other hand, have had an effect in general expenses.

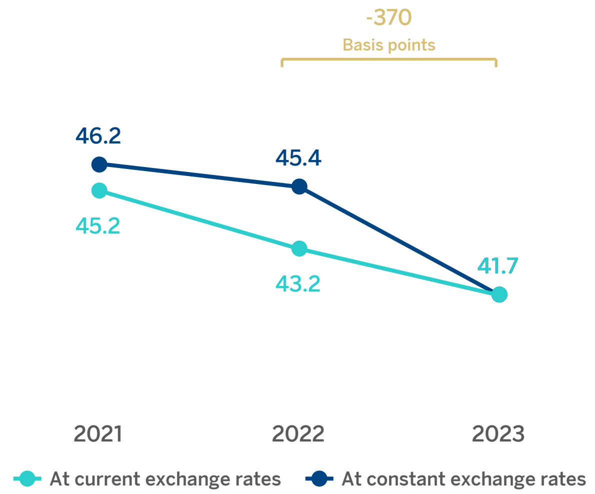
Thanks to the remarkable growth in gross income (+30.3%), the efficiency ratio stood at 41.7% as of December 31, 2023, with an improvement of 370 basis points compared to the ratio recorded 12 months earlier, highlighting the evolution in Rest of Business and Spain.

OPERATING EXPENSES (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



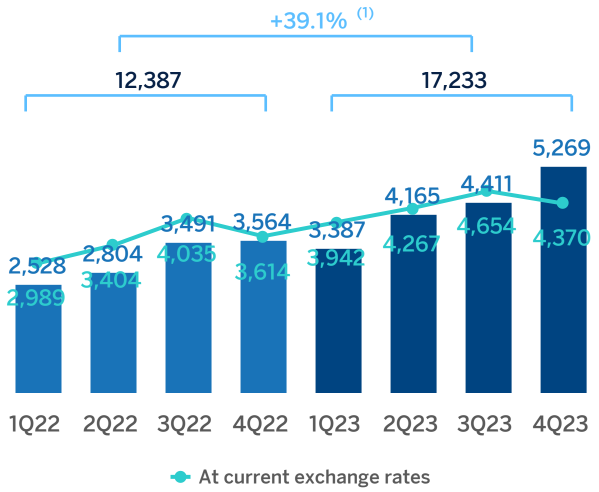
(1) At current exchange rates: +15.0%.

EFFICIENCY RATIO (PERCENTAGE)



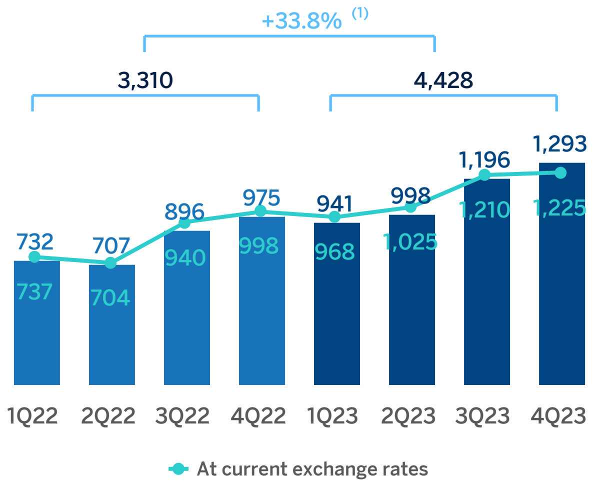
The impairment on financial assets not measured at fair value through profit or loss (impairment on financial assets) at the end of December 2023 was 33.8% higher than in the same period of the previous year, with lower requirements in Turkey, which were offset by higher provisioning needs, mainly in Mexico and South America, in a context of rising interest rates and growth in the most profitable segments, in line with the Group's strategy.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +22.7%.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +31.1%.

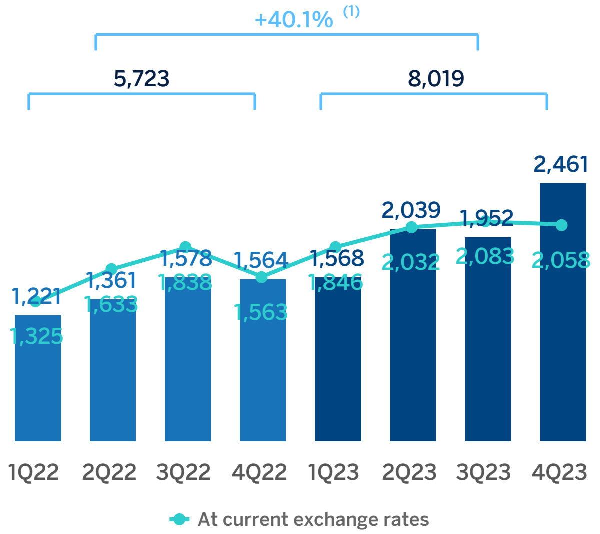
The provisions or reversal of provisions line (hereinafter, provisions) registered at the end of December 2023 higher provisions compared to the same period of the previous year, mainly originated from Spain and Turkey.

On the other hand, the other gains (losses) line closed December 2023 with a balance of €-13m, which compares unfavorably with the positive result of the previous year.

As a result of the above, the BBVA Group generated a net attributable profit of €8,019m between January and December of the year 2023, which compares very positively with the result for the previous year (+35.4%, excluding the net impact arisen from the purchase of offices in Spain in 2022). These solid results are supported by the favorable evolution of the banking business recurring income, which offset higher operating expenses and the increase in provisions for impairment losses on financial assets.

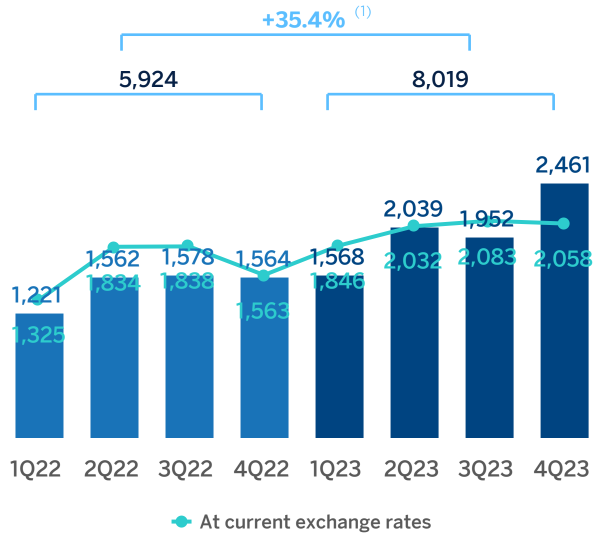
The cumulative net attributable profits, in millions of euros, at the end of December 2023 for the business areas that compose the Group were as follows: €2,755m in Spain, €5,340m in Mexico, €528m in Turkey, €613m in South America and €389m in Rest of Business.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[(1)] At current exchange rates: +26.1%

NET ATTRIBUTABLE PROFIT (LOSS) EXCLUDING NON-RECURRING IMPACTS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

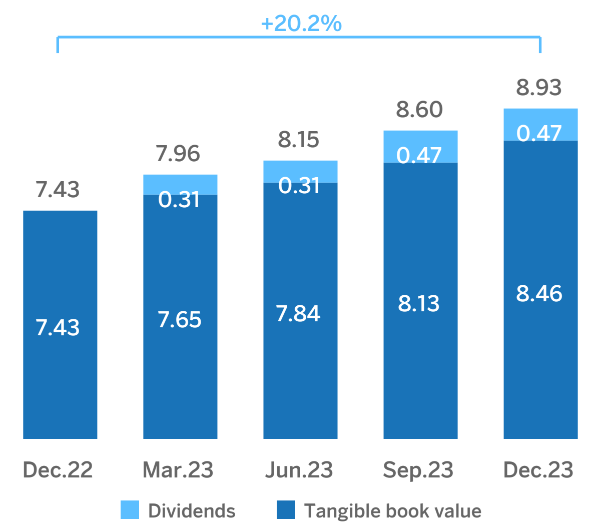


General note: non-recurring impacts include the net impact arisen from the purchase of offices in Spain in 2Q22.

[(1)] At current exchange rates: +22.3%.

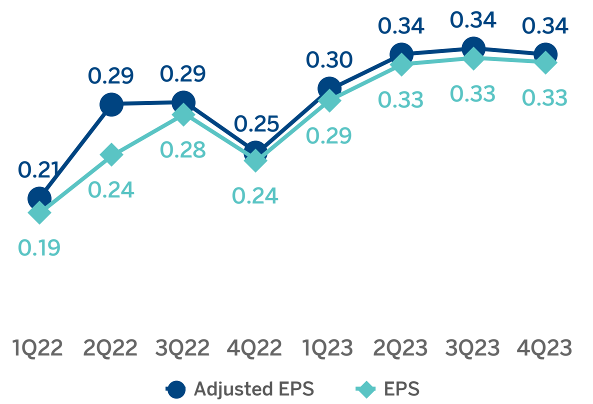
The Group's excellent performance has also allowed to accelerate value creation, as reflected in the growth of the tangible book value per share and dividends, which at the end of December 2023 was 20.2% higher than in the same period of the previous year.

TANGIBLE BOOK VALUE PER SHARE AND DIVIDENDS (EUROS)



General note: replenishing dividends paid in the period. For more information, see Alternative Performance Measures at the end of this report.

EARNING (LOSS) PER SHARE [(1)] (EUROS)

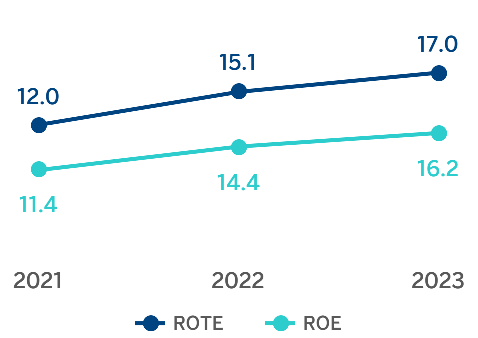


General note: adjusted by additional Tier 1 instrument remuneration. Adjusted EPS excludes, in addition, the net impact arisen from the purchase of offices in Spain in 2Q22. For more information, see Alternative Performance Measures at the end of this report

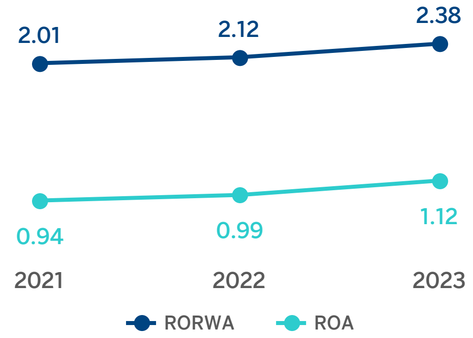
[(1)] The accumulated EPS stands at €0.98 and €1.29 in 2022 and 2023, respectively.

Lastly, the Group's profitability indicators improved in year-on-year terms supported by the favorable performance of results.

ROE [1] AND ROTE [1] (PERCENTAGE)



ROA [1] AND RORWA [1] (PERCENTAGE)



[1] The ratio of 2021 excludes 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 and the net cost related to the restructuring process. The ratio of 2022 excludes the net impact arisen from the purchase of offices in Spain.

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, 2023 are summarized below:

- Loans and advances to customers recorded an increase of 5.7% compared to the end of December 2022, strongly favored by the evolution of retail loans (+7.2% at Group level), supported by both the good performance of credit cards and consumer loans (+13.7% overall at Group level) in all geographical areas, and mortgage loans, specially in Mexico. On the other hand, business loans (3.2%) showed a positive dynamic, originating mainly in Mexico and in Rest of Business, and loans to the public sector grew (+11.4%) thanks to the performance of Mexico and Spain.
- Customer funds increased by 6.1% compared to the end of the previous year, thanks to both the growth in deposits from customers, which increased by 4.8% due to the positive evolution of time deposits in all business areas, and to the increase in off-balance sheet funds, which grew by +9.5%, favored by the the evolution of mutual funds and customer portfolios, with the good performance in Mexico and Spain being noteworthy.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

	31-12-23	Δ %	31-12-22
Cash, cash balances at central banks and other demand deposits	75,416	(5.4)	79,756
Financial assets held for trading	141,042	27.4	110,671
Non-trading financial assets mandatorily at fair value through profit or loss	8,737	26.8	6,888
Financial assets designated at fair value through profit or loss	955	4.6	913
Financial assets at fair value through accumulated other comprehensive income	62,205	(4.8)	65,374
Financial assets at amortized cost	451,732	9.0	414,421
Loans and advances to central banks and credit institutions	*24,627*	*20.5*	*20,431*
Loans and advances to customers	*377,643*	*5.7*	*357,351*
Debt securities	*49,462*	*35.0*	*36,639*
Investments in joint ventures and associates	976	6.6	916
Tangible assets	9,253	5.9	8,737
Intangible assets	2,363	9.6	2,156
Other assets	22,878	2.8	22,259
Total assets	**775,558**	**8.9**	**712,092**
Financial liabilities held for trading	121,715	27.3	95,611
Other financial liabilities designated at fair value through profit or loss	13,299	25.7	10,580
Financial liabilities at amortized cost	557,589	5.4	529,172
Deposits from central banks and credit institutions	*60,349*	*(7.5)*	*65,258*
Deposits from customers	*413,487*	*4.8*	*394,404*
Debt certificates	*68,707*	*24.0*	*55,429*
Other financial liabilities	*15,046*	*6.9*	*14,081*
Liabilities under insurance and reinsurance contracts	12,110	19.5	10,131
Other liabilities	15,580	(3.1)	16,081
Total liabilities	**720,293**	**8.9**	**661,575**
Non-controlling interests	3,564	(1.6)	3,623
Accumulated other comprehensive income	(16,254)	(7.9)	(17,642)
Shareholders' funds	67,955	5.3	64,535
Total equity	**55,265**	**9.4**	**50,517**
Total liabilities and equity	**775,558**	**8.9**	**712,092**
Memorandum item:			
Guarantees given	60,019	8.8	55,182

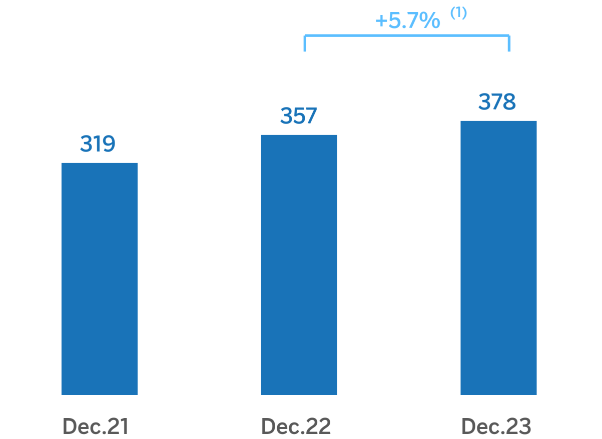
General note: 2022 figures have been restated according to IFRS 17 - Insurance contracts.

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	31-12-23	Δ %	31-12-22
Public sector	**23,269**	**11.4**	**20,884**
Individuals	**168,123**	**7.2**	**156,838**
Mortgages	*93,358*	*2.0*	*91,569*
Consumer	*39,074*	*8.6*	*35,965*
Credit cards	*21,609*	*24.3*	*17,382*
Other loans	*14,082*	*18.1*	*11,921*
Business	**183,076**	**3.2**	**177,374**
Non-performing loans	**14,444**	**7.0**	**13,493**
Loans and advances to customers (gross)	**388,912**	**5.5**	**368,588**
Allowances [1]	(11,269)	0.3	(11,237)
Loans and advances to customers	**377,643**	**5.7**	**357,351**

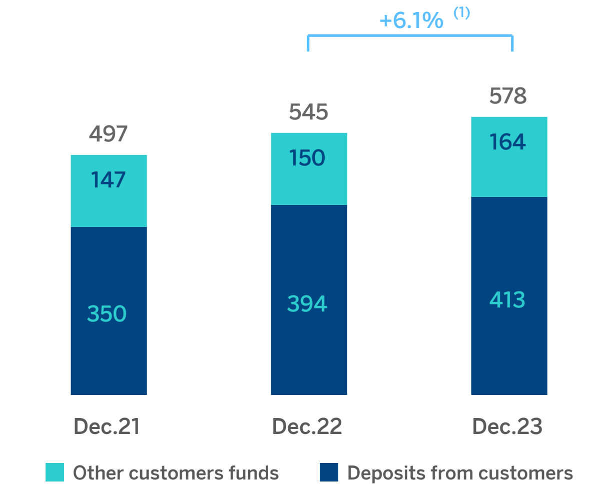
[1] Allowances include valuation adjustments for credit risk throughout the expected residual life in those financial instruments that have been acquired (mainly originating from the acquisition of Catalunya Banc, S.A.). As of December 31, 2023 and December 31, 2022 the remaining amount was €142m and €190m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (BILLIONS OF EUROS)



[1] At constant exchange rates: +7.9%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



[1] At constant exchange rates: +8.6%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	31-12-23	Δ %	31-12-22
Deposits from customers	**413,487**	**4.8**	**394,404**
Current accounts	*317,543*	*0.5*	*316,082*
Time deposits	*91,524*	*21.0*	*75,646*
Other deposits	*4,420*	*65.2*	*2,676*
Other customer funds	**164,367**	**9.5**	**150,172**
Mutual funds and investment companies and customer portfolios [1]	*131,849*	*21.0*	*108,936*
Pension funds	*28,326*	*(26.7)*	*38,653*
Other off-balance sheet funds	*4,192*	*62.4*	*2,582*
Total customer funds	**577,853**	**6.1**	**544,576**

[1] Includes the customer portfolios in Spain, Mexico, Colombia (preliminary data) and Peru.

3.1.5 Solvency

Capital base

BBVA Group's earnings have contributed to achieving a consolidated fully-loaded CET1 ratio of 12.67% as of December 31, 2023, which allows it to maintain a large management buffer over the Group's CET1 requirement as of that date (8.78%), which is also above the Group's target management range of 11.5-12.0% CET1.

The fully-loaded CET1 ratio increased by 6 basis points, mainly explained by the generation of earnings in the year (+233 basis points) which, net of shareholder remuneration and payment of convertible contingent instrument coupons (CoCos), generated a positive contribution of +106 basis points.

The growth of risk-weighted assets (RWAs) derived from the organic growth of activity, in constant terms has drained -132 basis points.

Finally, the other elements that make up CET 1, apart from the extraordinary Share BuyBack (SBB), had a positive contribution of +64 basis points; these include the positive reversal of the NPL backstop, the effects of market evolution, the calculation of minority interests, regulatory impacts as well as the positive impact in "Other Comprehensive Income" equivalent to the net monetary position value loss in hyperinflationary economies registered in results. The aforementioned Buyback has had an effect of -32 basis points.

Consolidated fully-loaded Additional Tier 1 (AT1) capital fully loaded stood at 1.66% at December 31, 2023, 12 basis points lower than in 2022, mainly due to the issuance in June of €1.0 billion Contingent Convertible instruments by BBVA S.A. In addition, BBVA S.A. issued in September another AT1 instrument of $1.0 billion. Also in September, another contingent convertible issuance of €1.0 billion nominal value, was excluded after its redemption.

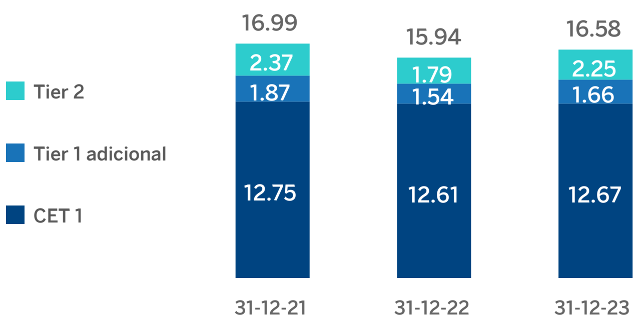
The Tier 2 fully-loaded ratio stood at 2.25% which represents an increase of 46 basis points compared to 2022, mainly explained by the issuances by BBVA S.A, in June €750 million, one subordinated issuance of GBP 300 million in August and another of $750 million in November. In addition, BBVA Mexico issued $ 1.0 billion in June.

Regarding the minimum capital requirements, the ECB informed the Group that the Pillar 2 requirement would remain at 1.71% (of which at least 0.96% must be CET1) since January 1, 2023. Therefore, BBVA should maintain a CET1 capital ratio of 8.75% and a total capital ratio of 13.00% at a consolidated level[63], which once updated taking into account the countercyclical buffer as of September 30, 2023, are 8.78% and 13.03%, respectively.

Following the latest SREP (Supervisory Review and Evaluation Process) decision, the ECB has informed to the Group that, with effect from January 1, 2024, it will have to maintain a total capital ratio of 13.25% and a CET1 capital ratio of 9.09% at the consolidated level, which includes the consolidated Pillar 2 requirement of 1.68% (of which at least 1.02% shall be met with CET1), of which 0.18% is determined on the basis of the ECB's prudential provisioning expectation and shall be met with CET1.

As a result of the above, the total fully-loaded capital ratio stood at 16.58% as of December 31, 2023, and total phased-in ratio stood at 16.58%.

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



[63] Includes the update of the countercyclical capital buffer calculated on the basis of exposure as of December 31, 2022.

CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	31-12-23 (1) (2)	31-12-22	31-12-21	31-12-23 (1) (2)	31-12-22	31-12-21
Common Equity Tier 1 (CET1)	46,104	42,738	39,949	46,104	42,484	39,184
Tier 1	52,138	47,931	45,686	52,138	47,677	44,922
Tier 2	8,182	5,930	7,383	8,182	6,023	7,283
Total capital (Tier 1 + Tier 2)	**60,320**	**53,861**	**53,069**	**60,320**	**53,699**	**52,205**
Risk-weighted assets	**363,916**	**337,066**	**307,795**	**363,916**	**336,884**	**307,335**
CET1 (%)	12.67	12.68	12.98	12.67	12.61	12.75
Tier 1 (%)	14.33	14.22	14.84	14.33	14.15	14.62
Tier 2 (%)	2.25	1.76	2.40	2.25	1.79	2.37
Total capital ratio (%)	**16.58**	**15.98**	**17.24**	**16.58**	**15.94**	**16.99**

(1) 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). As of December 31, 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.

(2) Preliminary data.

With regard to MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, on March, 8, 2022 BBVA disclosed the reception of a communication from the Bank of Spain regarding its minimum requirement for own funds and eligible liabilities, established by the Single Resolution Board (hereinafter "SRB"), which was calculated taking into account the financial and supervisory information as of June 30, 2021.

In accordance with this communication, BBVA must maintain, as from January 1, 2022, an amount of own funds and eligible liabilities equal to 21.46% of the total RWA of its resolution group, on a sub-consolidated level (hereinafter, the "MREL in RWA"), within this MREL in RWA, an amount equal to 13.50% of the RWA must be met with subordinated instruments (the "subordination requirement in RWA").The MREL in RWA and the subordination requirement in RWA do not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, is 3.35%, considering the exposures subject to the calculation of the countercyclical buffer as of September 31, 2023.

In addition, BBVA has to reach, since January 1, 2022, an amount of own funds and eligible liabilities in terms of the total exposure considered for calculating the leverage ratio equal to 7.27% (the "MREL in LR") of which 5.61% in terms of the total exposure considered for calculating the leverage ratio shall be satisfied with subordinated instruments (the "subordination requirement in LR").

Given the own funds and eligible liabilities structure of the resolution group, as of December 31, 2023, the MREL in RWA provisional ratio stood at 26.36%, complying with the aforementioned requirement. Finally, the provisional MREL in LR was 10.94% and the provisional subordination ratios in terms of RWA and in terms of LR were 21.84% and 9.06%, respectively.

On June 14, 2023 the Group disclosed the reception of a new communication from the Bank of Spain regarding its MREL requirement, established by the SRB, calculated taking into account the financial and supervisory information as of December 31, 2021. In accordance with this new communication, BBVA has to reach, starting January 1, 2024 a MREL in RWA equal to 22.11% and a subordination requirement in RWA equal to 13.50%. The MREL in RWA and the subordination requirement in RWA do not include the applicable combined capital buffer requirement which, according to applicable regulations and supervisory criteria, is at 3.35%, considering the exposures subject to the calculation of the countercyclical buffer as of September 31, 2023. Given the own funds and eligible liabilities structure of the resolution group, as of December 31, 2023 the MREL in RWA met the requirement.

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.To this respect it is worth mentioning that BBVA published on September 29, 2023 that it had received a resolution from the Bank of Spain related to the revision of the identification of BBVA as Other Systemically Important Institution (hereinafter referred to as O-SII) and the corresponding capital buffer establishment. According to this resolution the O-SII capital buffer would increase by 25 basis points compared to the previous year applicable buffer, which stands at 100 basis points (1%) by January 1, 2024. This increase is due to the adaptation of the Bank of Spain's methodology for the determination of the OSII capital buffers in line with the revision of the methodological framework established by the European Central Bank.

Lastly, as of December 31, 2023, the Group's fully-loaded leverage ratio stood at 6,5%[64].

[64] The Group's leverage ratio is provisional at the date of release of this report.

Ratings

During the year 2023, BBVA's rating has continued to demonstrate its strength and all agencies have maintained their rating in the A category. DBRS in March, Fitch in September and Moody's in October confirmed the rating of BBVA at A (high), A- and A3, respectively, all three with a stable outlook. Additionally, S&P has maintained BBVA's ratings unchanged during the year at A, 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.

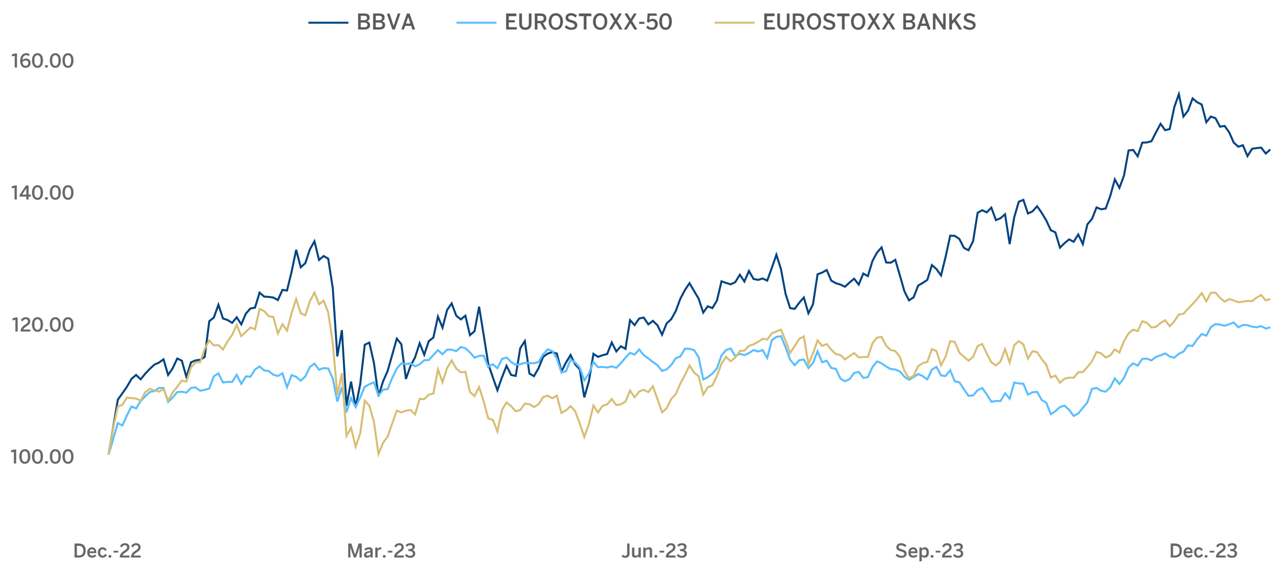
3.1.6 The BBVA share

The main indices have shown a positive behavior in the year 2023. In Europe, the Stoxx Europe 600 index rose by 12.7% compared to the end of 2022, and in Spain, the Ibex 35 was revalued a 22.8% in the same time frame, showing a better relative performance. In the United States, the S&P 500 index also rose by 24.2%.

With regard to the banking sector indices, their evolution in the year 2023 has been better than of general indices in Europe. The Stoxx Europe 600 Banks, which includes the banks of the United Kingdom, and the Euro Stoxx Banks, Eurozone´s banks index, rose by 20.3% and 23.5% respectively, while in the United States, the S&P Regional Banks sector index fell by 10.8% in the period.

For its part, the price of the BBVA share grew by 46.0% in the year, above its sector index, closing the 2023 year at 8.23 euros.

BBVA SHARE EVOLUTION COMPARED WITH EUROPEAN INDEXES (Base index 100=31-12-22)



The BBVA share and share performance ratios

THE BBVA SHARE AND SHARE PERFORMANCE RATIOS

	31-12-23	31-12-22
Number of shareholders (1)	742,194	801,216
Number of shares outstanding	5,837,940,380	6,030,116,564
Daily average number of shares traded	16,584,287	22,956,058
Daily average trading (millions of euros)	116	115
Maximum price (euros)	8.73	6.12
Minimum price (euros)	5.67	3.97
Variation of the maximum share price with respect to the minimum (%)	54.0	54.2
Closing price (euros)	8.23	5.63
Book value per share (euros) (2)	8.86	7.78
Tangible book value per share (euros) (2)	8.46	7.43
Market capitalization (millions of euros)	48,023	33,974
Yield (dividend/price; %) (3)	5.7	6.2

(1) In the case of shares kept by investors through a custodian placed outside Spain, only the custodian will be considered as a shareholder, which is who appears registered in the accounting record of book entries, so the number of shareholders stated does not consider those indirect holders.

(2) Data as of 31-12-2022 have been restated according to IFRS 17 - Insurance contracts.

(3) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

Stock market indexes

BBVA's shares are included in the main stock market indexes. At the closing of December 2023, the weighting of BBVA shares in the Ibex 35, Euro Stoxx 50 and the Stoxx Europe 600 index, were 9.2%, 1.6% and 0.5%, respectively. They are also included in several sector indexes, including Stoxx Europe 600 Banks, which includes the United Kingdom, with a weighting of 5.7% and the Euro Stoxx Banks index for the eurozone with a weighting of 9.5%.

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 "2.6.4 ESG analysts and ratings" section of this report.

Shareholders and investors

Shareholder structure

As of December 31, 2023, the Group had 5,837,940,380 shares outstanding (as of December 31, 2022 the figure was 6,030,116,564 shares), 61.66% of which were held by institutional investors and the remaining 38.34% by minority shareholders, all with the same voting and economic rights, with no differences in voting rights between shareholders. The reduction of 192,176,184 shares outstanding compared to the previous year is explained by the redemption of shares acquired as a result of the share buyback programs executed during the year.

SHAREHOLDER STRUCTURE (31-12-23)

	Shareholders		Shares outstanding	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	315,389	42.5	58,447,373	1.0
501 to 5,000	334,638	45.1	592,992,044	10.2
5,001 to 10,000	49,539	6.7	347,292,314	5.9
10,001 to 50,000	38,423	5.2	733,832,231	12.6
50,001 to 100,000	2,720	0.4	185,938,321	3.2
100,001 to 500,000	1,228	0.2	218,487,412	3.7
More than 500,001	257	0.03	3,700,950,685	63.4
Total	**742,194**	**100**	**5,837,940,380**	**100**

Note: in the case of shares kept by investors through a custodian placed outside Spain, only the custodian will be considered as a shareholder, which is who appears registered in the accounting record of book entries, so the number of shareholders stated does not consider those indirect holders.

Shareholder remuneration

In November 2021, the Board of Directors of BBVA set as its shareholder remuneration policy the annual distribution of between 40% and 50% of the consolidated ordinary profit for each year, to be implemented through the distribution of an interim dividend for the year (expected to be paid in October of each year), and a final dividend (to be paid once the year has ended and the distribution of the profit has been approved, expected to be in April). It also established that cash distributions could be combined with share buybacks, subject to the applicable authorizations and approvals at any given time.

In September 2023, the Board of Directors approved the distribution in cash of an interim dividend for the 2023 financial year in the amount of €0.16 gross per share, which was paid on October 11, 2023. This dividend was 33% higher than the dividend paid in October 2022 (€0.12 gross per share).

In addition to these cash payment, an extraordinary distribution was made through a share buyback program of BBVA's own shares announced on July 28 and executed since October 2, 2023. As a result of this program, a total of 127,532,625 shares were acquired for an amount of €1,000m.

Also regarding shareholder remuneration a cash gross distribution in the amount of €0.39 per share on April as final dividend of 2023 and the execution of a new Share Buyback Program of BBVA for an amount of €781m, subject to the corresponding regulatory authorizations and the communication with the program specific terms and conditions before its effective start, are expected to be submitted to the relevant governing bodies for consideration. Thus, the total distribution for the year 2023 will reach €4,010m, a 50% of the net attributable profit, which represents €0.68 gross per share, taking into account the payment in cash of €0.16 gross per share paid in October 2023 as interim dividend of the year.

Finally, it should be noted that shareholder remuneration measured through TSR (Total Shareholder Return), which considers both the dividend payment, which is reinvested in the BBVA share, and the performance of the share price, has performed very positively, increasing by 57% in 2023, which exceeds the 28% average of the Stoxx Europe 600 Banks.

General Shareholders' Meeting

In 2023, BBVA held its General Shareholders' Meeting on March 17 at the Euskalduna Palace in Bilbao and set up the corresponding channels for remote attendance, as well as to follow it through streaming, with free access from the corporate website.

The General Shareholders' Meeting had a quorum of 65.18%, approving by a large majority all the items on the agenda, including those relating to the annual financial statements, the management of the Company for the year, the proposal for shareholder remuneration and those relating to the appointment and re-election of directors.

BBVA is committed to achieving carbon neutrality, minimizing negative environmental impacts and generating a benefit for the host community and all those involved in the process. Aligned with these objectives, the General Meeting was certified as a sustainable event by AENOR, according to the UNE-ISO 201221 standard, and offset the carbon emissions generated at the event.

Lastly, on the occasion of the Annual General Meeting, and in order to contribute to inclusive and sustainable growth, BBVA made a solidarity contribution in Spain of €300,000 to various NGOs to finance projects in the areas of inclusive growth and the environment. The distribution of the funds was put to the vote of the shareholders in each of the four established purposes.

Shareholder and investor relations

Shareholders and investors, both national and international, represent a very relevant stakeholder group for BBVA. For this reason, the Group is in constant communication with them in order to keep them informed of the performance of the company and of all relevant issues that may be necessary for the proper exercise of their voting and decision-making rights.

BBVA's Policy on Communication and Contact with Shareholders and Investors, aims to promote the transparency of the Bank's public information, and to do so on an ongoing basis. The Shareholder and Investor Relations area offers shareholders a wide variety of communication, participation and dialogue channels, including the following:

Conferences and meetings with shareholders and investors

The Shareholder and Investor Relations team periodically organizes informative meetings (meetings, conferences and other events), in person and online, in which representatives of the Bank meet with analysts, shareholders and investors to inform them of the Group's financial performance and other aspects of interest. During these meetings, their comments and questions are dealt with on a personal basis.

Shareholders and investors web page

BBVA has a web page especially aimed at its shareholders and investors (www.accionistaseinversores.bbva.com), which offers institutional and economic-financial information on the Group's activity, as well as other contents of interest to them. This information is also available on the Group's corporate website (www.bbva.com).

Webcasts and conference-calls

BBVA has a live broadcast channel for quarterly earnings presentations and other market-relevant communications, which allows shareholders, investors, analysts and anyone else who wishes to access them. This channel is also available on a delayed broadcast basis and is accessible through the shareholders' and investors' website.

Inquiry service and Shareholders Office

In order to facilitate open and transparent communication with shareholders, the Bank maintains permanent communication channels (a telephone line and specific electronic mailboxes), through which requests for information, clarifications or questions and their corresponding answers are channeled.

Lastly, BBVA offers its shareholders and the public in general, a subscription service that allows them to know in real time any news published on the corporate website, in relation to financial reports, relevant facts or economic-financial presentations. (accionistaseinversores.bbva.com/suscripcion).

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, 2023, is the same as the one presented at the end of 2022.

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.
- 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.
- 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 portfolios and assets' funding. Finally, in the description of this aggregate, it is worth mentioning that the Corporate Center's tax expense includes for each period the difference between the effective tax rate in the period of each business area and the expected tax rate of the Group for the year as a whole.

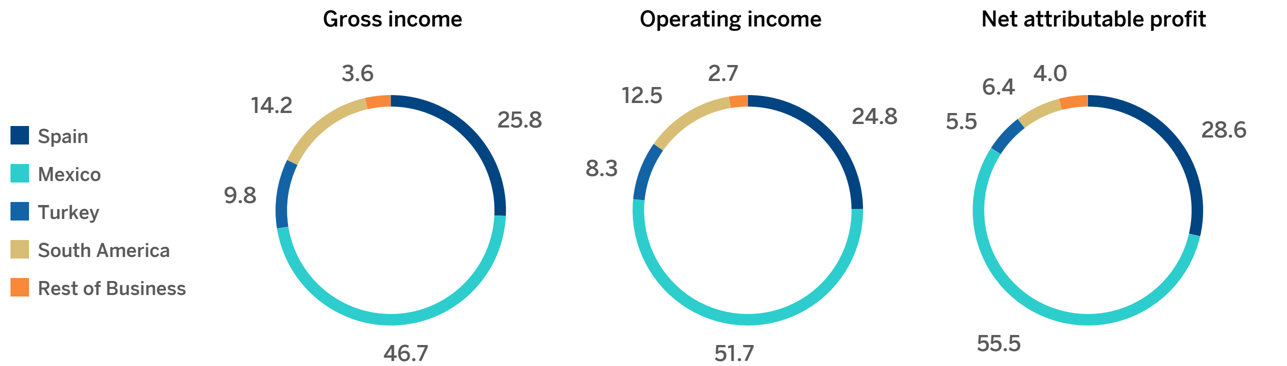
In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, Corporate & Investment Banking (CIB), in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due 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.

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. 2023)



[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
2023								
Net interest income	23,089	5,620	11,054	1,869	4,394	539	23,476	(386)
Gross income	29,542	7,888	14,267	2,981	4,331	1,103	30,571	(1,029)
Operating income	17,233	4,743	9,883	1,581	2,397	507	19,111	(1,878)
Profit (loss) before tax	12,419	3,947	7,359	1,325	1,206	479	14,317	(1,898)
Net attributable profit (loss) excluding non-recurring impacts	8,019	2,755	5,340	528	613	389	9,626	(1,607)
Net attributable profit (loss)	8,019	2,755	5,340	528	613	389	9,626	(1,607)
2022 (1)								
Net interest income	19,124	3,774	8,378	2,611	4,138	332	19,233	(109)
Gross income	24,743	6,112	10,734	3,172	4,265	790	25,072	(329)
Operating income	14,042	3,210	7,336	2,111	2,290	276	15,223	(1,181)
Profit (loss) before tax	10,402	2,610	5,620	1,636	1,434	277	11,577	(1,175)
Net attributable profit (loss) excluding non-recurring impacts (2)	6,559	1,868	4,131	505	738	240	7,482	(922)
Net attributable profit (loss)	6,358	1,667	4,131	505	738	240	7,280	(922)

(1) Balances restated according to IFRS 17 - Insurance contracts.

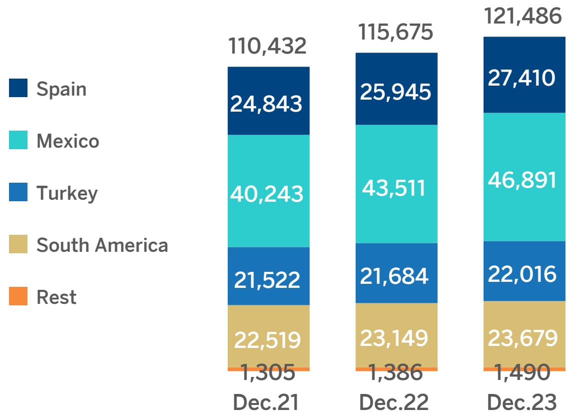
(2) Non-recurring impacts includes the net impact arisen from the purchase of offices in Spain in the second quarter of 2022.

MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

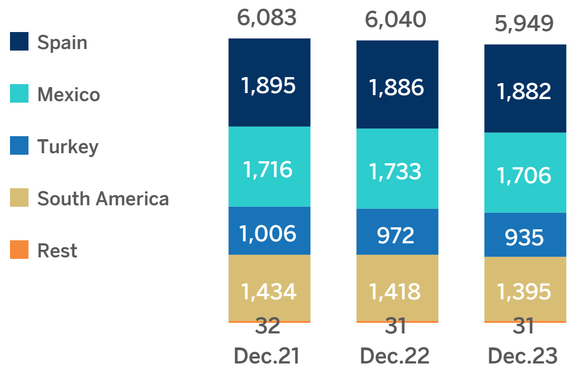
		Business areas							
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	Corporate Center	Deletions
31-12-23									
Loans and advances to customers	377,643	173,169	88,112	37,416	41,213	39,322	379,231	230	(1,819)
Deposits from customers	413,487	216,198	92,564	50,651	42,567	13,056	415,037	181	(1,732)
Off-balance sheet funds	164,367	97,253	53,254	7,768	5,525	566	164,366	1	—
Total assets/liabilities and equity	775,558	457,624	173,489	68,329	64,779	64,274	828,495	23,074	(76,011)
RWAs	363,916	121,779	91,865	54,506	49,117	36,410	353,678	10,238	—
31-12-22 (1)									
Loans and advances to customers	357,351	173,971	71,231	37,443	38,437	37,375	358,456	278	(1,383)
Deposits from customers	394,404	221,019	77,750	46,339	40,042	9,827	394,978	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	712,092	427,116	142,557	66,036	61,951	49,952	747,613	22,719	(58,239)
RWAs	337,066	114,474	71,738	56,275	46,834	35,064	324,385	12,682	—

(1) Balances restated according to IFRS 17 - Insurance contracts.

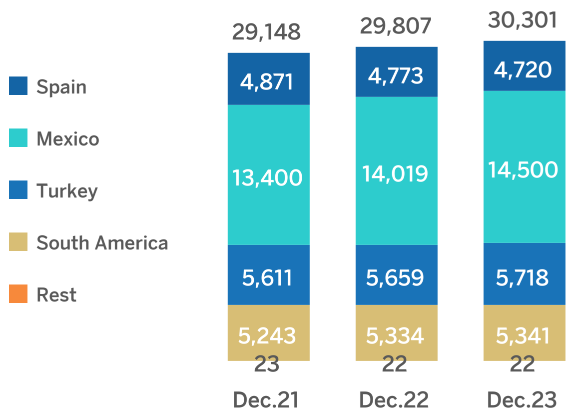
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

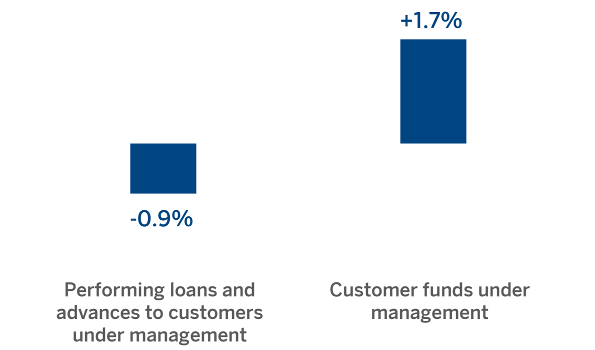


3.2.1 Spain

Highlights

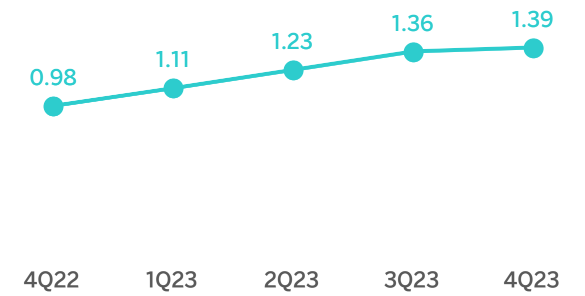
- **Growth in consumer loans, SMEs and public sector during the year**
- **Favorable evolution of recurring income**
- **Very relevant improvement of the efficiency ratio during the year**
- **Cost of risk remains at low levels**

BUSINESS ACTIVITY [1] (VARIATION COMPARED TO 31-12-22)

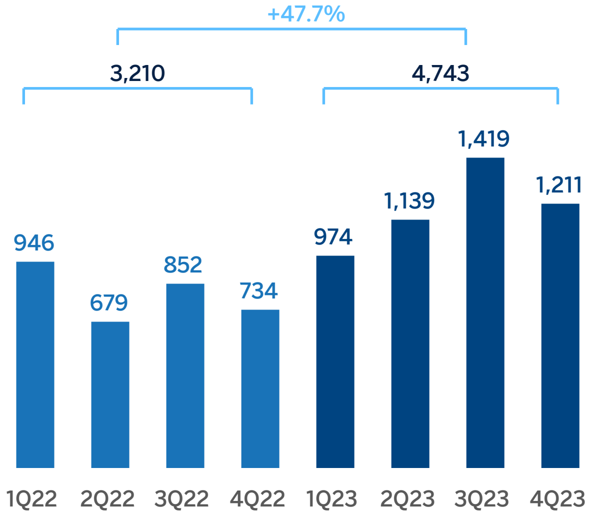


[1] Excluding repos.

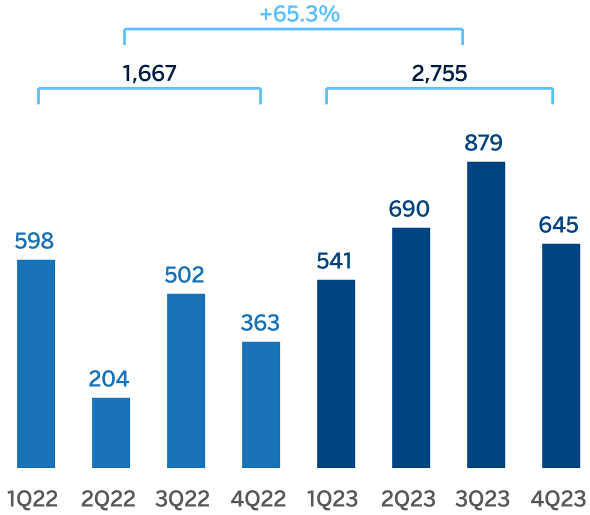
NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE)



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	2023	Δ %	2022 [1]
Net interest income	**5,620**	**48.9**	**3,774**
Net fees and commissions	2,164	0.4	2,156
Net trading income	409	3.4	396
Other operating income and expenses	(305)	42.5	(214)
Of which: Insurance activities	*360*	*1.3*	*355*
Gross income	**7,888**	**29.1**	**6,112**
Operating expenses	(3,145)	8.4	(2,901)
Personnel expenses	*(1,778)*	*10.6*	*(1,608)*
Other administrative expenses	*(984)*	*10.6*	*(889)*
Depreciation	*(383)*	*(5.1)*	*(404)*
Operating income	**4,743**	**47.7**	**3,210**
Impairment on financial assets not measured at fair value through profit or loss	(651)	24.5	(522)
Provisions or reversal of provisions and other results	(145)	86.6	(78)
Profit (loss) before tax	**3,947**	**51.2**	**2,610**
Income tax	(1,190)	61.1	(739)
Profit (loss) for the period	**2,757**	**47.3**	**1,872**
Non-controlling interests	(2)	(31.9)	(3)
Net attributable profit (loss) excluding non-recurring impacts	**2,755**	**47.5**	**1,868**
Net impact arisen from the purchase of offices in Spain	—	—	(201)
Net attributable profit (loss)	**2,755**	**65.3**	**1,667**

Balance sheets	31-12-23	Δ %	31-12-22 [1]
Cash, cash balances at central banks and other demand deposits	44,653	(9.2)	49,185
Financial assets designated at fair value	146,136	15.6	126,413
Of which: Loans and advances	*70,265*	*67.6*	*41,926*
Financial assets at amortized cost	216,334	5.8	204,528
Of which: Loans and advances to customers	*173,169*	*(0.5)*	*173,971*
Inter-area positions	42,919	10.3	38,924
Tangible assets	2,884	(3.5)	2,990
Other assets	4,697	(7.5)	5,076
Total assets/liabilities and equity	**457,624**	**7.1**	**427,116**
Financial liabilities held for trading and designated at fair value through profit or loss	112,738	33.2	84,619
Deposits from central banks and credit institutions	43,694	(15.5)	51,702
Deposits from customers	216,198	(2.2)	221,019
Debt certificates	51,472	26.2	40,782
Inter-area positions	—	—	—
Other liabilities	18,629	17.4	15,870
Regulatory capital allocated	14,892	13.5	13,124

Relevant business indicators	31-12-23	Δ %	31-12-22
Performing loans and advances to customers under management [2]	169,712	(0.9)	171,209
Non-performing loans	8,189	3.8	7,891
Customer deposits under management [2]	214,968	(2.3)	220,140
Off-balance sheet funds [3]	97,253	12.1	86,759
Risk-weighted assets	121,779	6.4	114,474
Efficiency ratio (%)	39.9		47.5
NPL ratio (%)	4.1		3.9
NPL coverage ratio (%)	55		61
Cost of risk (%)	0.37		0.28

[1] Balances restated according to IFRS 17 - Insurance contracts.

[2] Excluding repos.

[3] Includes mutual funds, customer portfolios and pension funds.

Macro and industry trends

According to the latest estimate from BBVA Research, GDP growth would converge to around 2.4% in 2023 (unchanged from the previous forecast) and 1.5% in 2024 (30 basis points lower than previously expected). Despite the relative resilience of activity, largely related to the dynamism of the services sector and the labor market, as well as the effect of the European recovery funds, growth is expected to continue to moderate in the next months, in line with the slowdown in growth in the Eurozone, in a context of higher uncertainty about internal policies. Annual inflation, which fell from particularly high values in 2022 to 3.1% in December 2023, is expected to remain close to this level during 2024.

As for the banking system, data at the end of October 2023 showed that the volume of credit to the private sector declined by 3.7% year-on-year. At the November close, household and non-financial corporate loan portfolios fell by 2.3% and 5.6% year-on-year, respectively. Customer deposits fell by 1.2% year-on-year as of the end of November 2023, due to a 6.2% reduction in demand deposits. This was not offset by the growth in time deposits (+81,1% year-on-year). The NPL ratio stood at 3.6% in October 2023, 16 basis points below the figure of the same month of the previous year. Furthermore, the system maintains comfortable solvency and liquidity levels.

Activity

The most relevant aspects related to the area's activity during 2023 were:

- Lending balances registered a slight decrease of 0.9% mainly due to the evolution of mortgage loans (-2.2%) and the deleveraging by large corporations (-5.4%). This evolution was partially offset by the performance of loans to the public sector (+7.8%), consumer loans (+5.9%, including credit cards) and loans to SMEs (+3.6%).

- With regard to asset quality, the NPL ratio increased by 16 basis points in the year and stood at 4.1%, mainly due to the increase of non-performing assets in mortgages amid tight interest rates, which has mitigated because of positive dynamics in the wholesale portfolio and the impact of the sale by the end of July of a default loans portfolio without collateral (non-performing and defaulters). For its part, the NPL coverage ratio fell by 597 basis points to 55% at the end of December 2023, due to the high level of coverage in the sold portfolio and to the aforementioned increase in the mortgage portfolio, with less coverage than the average because of its collateral.

- Total customer funds grew in the year (+1.7%). Lower demand deposit balances (-5.1%) were partially offset mainly by off-balance sheet funds growth (mutual and pension funds and managed portfolios, 12.1% overall), which increased mainly as a result of net contributions during the year and the effect of the market evolution.

Results

Spain generated a net attributable profit of €2,755m in 2023, 65.3% higher than in the previous year, which included the net impact arisen from the purchase of offices to Merlin (-201 millions of euros). In 2023, the favorable evolution of the net interest income stands out, which continued to boost the gross income growth and comfortably offset the increase in expenses.

The most relevant aspects of the year-on-year changes in the area's income statement at the end of December 2023 were:

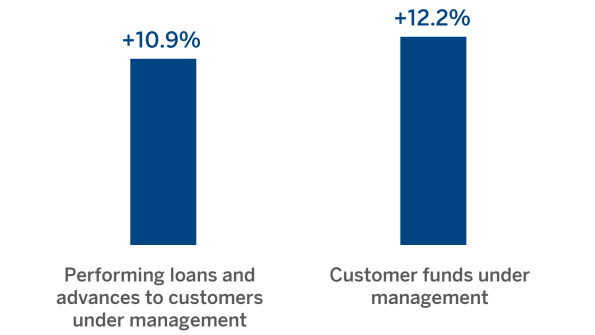
- Net interest income grew by 48.9% favored by the improvement in customer spreads derived from the successive interest rate hikes carried out by the ECB between July 2022 and September 2023 as well as and the cost of deposits, which remains contained.
- Net fees and commissions were in line with those of the previous year (+0.4%), favored by the contribution of the income linked to asset management, which offset the lower contribution of banking services fees.
- Increase in the year-on-year NTI contribution (+3.4%) driven by the favorable evolution of Global Markets.
- Other operating income and expenses compare negatively with the same period of the previous year, due to the €215m recorded on this line, corresponding to the total annual amount paid for the temporary tax on credit institutions and financial credit establishments. This was partially offset by a lower contribution to the public schemes of bank deposits guarantee, this is, to the Single Resolution Fund and to the Deposits Guarantee Fund (hereinafter FUR and FGD, both for their acronym in Spanish, respectively), which was lower than in the previous year overall. Lastly, the performance of the insurance business, also considered under this line item, improved compared to 2022.
- Operating expenses continued to increase (+8.4%), although well below the growth of gross income (+29.1%), which allowed a very significant improvement of the efficiency ratio by 760 basis points in the last year. The increase in expenses is due to both higher fixed remuneration to personnel, with additional measures that improve those of the sectoral wage increase agreement for 2023, and higher general expenses, affected by the inflation, especially higher IT expenses.
- Impairment on financial assets increased by 24.5% due to higher loan-loss provisions, mainly in the retail portfolio, which were affected by a higher rate environment, and together with some positive non-recurring items recorded on 2022. As a result of the above, the cumulative cost of risk at the end of December 2023 increased to 0.37%.

3.2.2 Mexico

Highlights

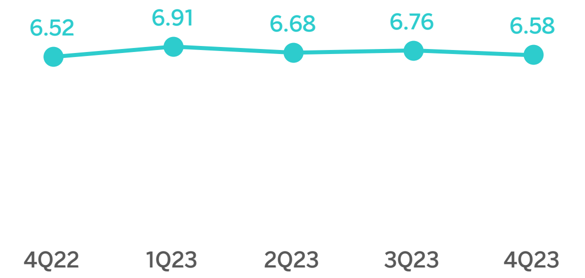
- **Growth of all the segments in the loan portfolio, with greater dynamism of the retail segment**
- **Double digit year-on-year growth in all the income statement margins**
- **Favorable evolution of the efficiency ratio**
- **Excellent performance of the net attributable profit throughout the year**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-22)

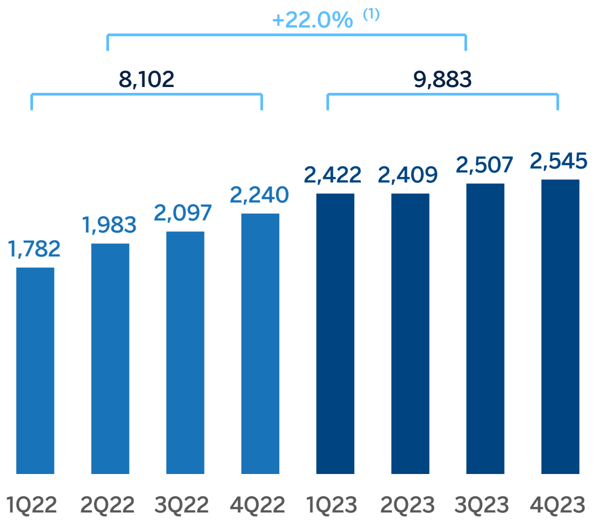


[1] Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

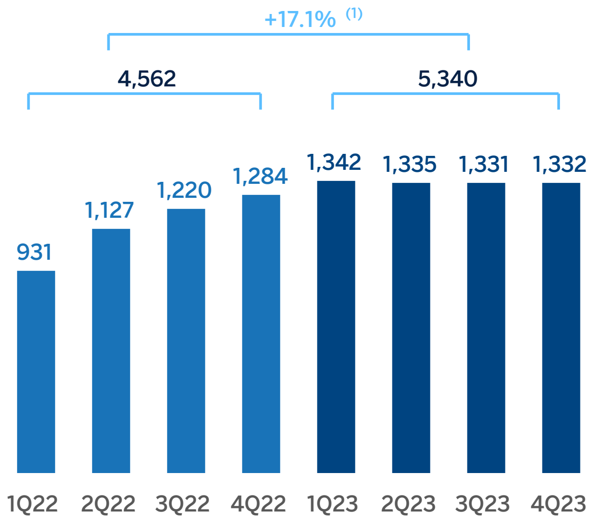


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[1] At current exchange rate: +34.7%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[1] At current exchange rate: +29.3%..

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2023	Δ %	Δ % [1]	2022 [2]
Net interest income	**11,054**	**31.9**	**19.5**	**8,378**
Net fees and commissions	2,226	37.0	24.0	1,625
Net trading income	572	30.3	18.0	439
Other operating income and expenses	415	42.8	29.3	291
Gross income	**14,267**	**32.9**	**20.4**	**10,734**
Operating expenses	(4,384)	29.1	16.9	(3,397)
Personnel expenses	*(2,100)*	*34.2*	*21.5*	*(1,565)*
Other administrative expenses	*(1,816)*	*26.6*	*14.6*	*(1,434)*
Depreciation	*(469)*	*17.9*	*6.8*	*(398)*
Operating income	**9,883**	**34.7**	**22.0**	**7,336**
Impairment on financial assets not measured at fair value through profit or loss	(2,499)	47.6	33.7	(1,693)
Provisions or reversal of provisions and other results	(25)	5.0	(4.9)	(24)
Profit (loss) before tax	**7,359**	**31.0**	**18.6**	**5,620**
Income tax	(2,018)	35.6	22.8	(1,488)
Profit (loss) for the period	**5,341**	**29.3**	**17.1**	**4,132**
Non-controlling interests	(1)	29.9	17.7	(1)
Net attributable profit (loss)	**5,340**	**29.3**	**17.1**	**4,131**

Balance sheets	31-12-23	Δ %	Δ % [1]	31-12-22 [2]
Cash, cash balances at central banks and other demand deposits	10,089	(23.7)	(31.5)	13,228
Financial assets designated at fair value	60,379	29.6	16.4	46,575
Of which: Loans and advances	*5,180*	*243.8*	*208.6*	*1,507*
Financial assets at amortized cost	96,342	24.8	12.0	77,191
Of which: Loans and advances to customers	*88,112*	*23.7*	*11.0*	*71,231*
Tangible assets	2,387	21.2	8.8	1,969
Other assets	4,293	19.5	7.3	3,593
Total assets/liabilities and equity	**173,489**	**21.7**	**9.3**	**142,557**
Financial liabilities held for trading and designated at fair value through profit or loss	28,492	10.3	(1.0)	25,840
Deposits from central banks and credit institutions	8,739	98.5	78.2	4,402
Deposits from customers	92,564	19.1	6.9	77,750
Debt certificates	9,719	25.3	12.5	7,758
Other liabilities	22,756	34.0	20.3	16,976
Regulatory capital allocated	11,218	14.1	2.4	9,831

Relevant business indicators	31-12-23	Δ %	Δ % [1]	31-12-22
Performing loans and advances to customers under management [3]	88,688	23.5	10.9	71,788
Non-performing loans	2,472	27.5	14.5	1,939
Customer deposits under management [3]	90,926	17.9	5.8	77,117
Off-balance sheet funds [4]	53,254	39.4	25.2	38,196
Risk-weighted assets	91,865	28.1	15.0	71,738
Efficiency ratio (%)	30.7			31.7
NPL ratio (%)	2.6			2.5
NPL coverage ratio (%)	123			129
Cost of risk (%)	2.96			2.49

(1) At constant exchange rate.

(2) Balances restated according to IFRS 17 - Insurance contracts.

(3) Excluding repos.

(4) Includes mutual funds, customer portfolios and other off-balance sheet funds.

Macro and industry trends

The economy has expanded at a relatively high rate, faster than anticipated, during 2023 and, especially during the second half of the year due to the dynamism of private consumption, the resilience of the manufacturing sector, the effects on private investment of the prospects for nearshoring of industrial production outside of China and the impact of higher public spending on the construction sector, in a growth environment in the United States. According to BBVA Research, GDP could grow around 3.4% in 2023 and 2.9% in 2024 (respectively,20 and 30 basis points above the previous forecasts). Annual inflation eased through 2023, reaching 4.7% in December, and it will probably continue to gradually moderate in the coming quarters, remaining around 3.8% on average in 2024. Policy rates, which stood at 11.25% at the end of 2023, are expected to begin to be cut from the first quarter of 2024, reaching around 9.0% by the end of the year.

With respect to the banking system, at the end of November 2023, the volume of outstanding credit to the non-financial private sector increased by 10.1% in year-on-year terms, with a greater boost from the consumer portfolio (+17,7%), followed by mortgages (+9,2%) and businesses (+7,3%). Growth in total deposits remains at similar levels to those of total credit, with a year-on-year growth of 10.0% at the end of November 2023, with greater dynamism in time deposits (+18,6% year-on-year) than in demand deposits (+6,1 year-on-year). The industry's non-performing loans remained stable at around 2.45% and capital ratios are at comfortable levels.

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 during 2023 were:

- Lending activity (performing loans under management) grew by 10.9% between January and December 2023. By portfolios, the wholesale portfolio, which includes large companies and public sector, grew by 6.7%, highlighting the dynamism of the business segment (+5.4%), with a positive performance of the public sector segment during the year. On the other hand, the retail portfolio grew at a rate of 14.4%, which supports the trend observed since the beginning of the year. Within this segment, consumer loans grew by 15.8%, credit cards by 21.2%, loans to SMEs by 19.0%, and mortgage loans by 8.7%. The loan portfolio continued to show a favorable diversification, of which 47.6% of the total correspond to the wholesale portfolio and the remaining 52.4% to the retail portfolio.

- With regard to asset quality indicators, the NPL ratio stood at 2.6% at the end of December 2022, which represents .10 basis points increase compared to the previous year, mainly due to the increase of the non-performing balance in credit cards and, to a lesser extent, in consumer loans. For its part, the NPL coverage ratio stood at high levels, at 123%, at the end of December 2023, which represents a fall of 547 basis points compared to the end of 2022, including the impact of the annual revision of the parameters of the models of estimation of losses and, to a lesser extent, the effect of the partial release of previously constituted funds because of complementary adjustments not assigned to singular operations or clients due to the behavior observed in the portfolios linked to them.

- Customer deposits under management maintained a positive evolution between January and December of 2023 (+5.8%) despite a high rates environment and the liability cost containment policy implemented by BBVA in Mexico. The growth of off-balance sheet funds was very relevant, particularly in mutual funds, which increased at a rate of 23.7% between January and December 2023.

Results

In Mexico, BBVA achieved a cumulative net attributable profit of €5,340m by the end of December 2023, representing an increase of 17.1% compared to the previous year, mainly as a result of the significant growth in net interest income, thanks to the strong boost of the activity and the improvement in the customer spread.

The most relevant aspects of the year-on-year changes in the income statement at the end of December 2023 are summarized below:

- Net interest income recorded a significant growth (+19.5%), as a result of strong dynamism of lending activity and a price management efficiency (keeping the cost of deposits contained). Thus, customer spreads associated with a higher bias towards retail portfolio have been successfully maintained.
- Net fees and commissions, boosted by greater transactional banking, continued to increase at double digit (+24.0%), with growth in almost all commissions types, highlighting credit cards, those derived from mutual funds management and from wholesale activity.
- The contribution from NTI increased (+18.0%) mainly as a result of the good performance of Global Markets, with a significant contribution from the foreign currency operations, which offset the bond swap operation associated with balance-sheet management registered in the third quarter of 2023.
- The other operating income and expenses line grew by 29.3%, driven by the evolution of the insurance business.
- Operating expenses increased (+16.9%), with higher personnel expenses due to salary adjustments and an increase in the workforce in a context of strong activity growth, and an increase of general expenses linked to inflation, particularly marketing and technology. Despite the above, the efficiency ratio continued to evolve favorably, with a significant improvement of 92 basis points compared to twelve months earlier.

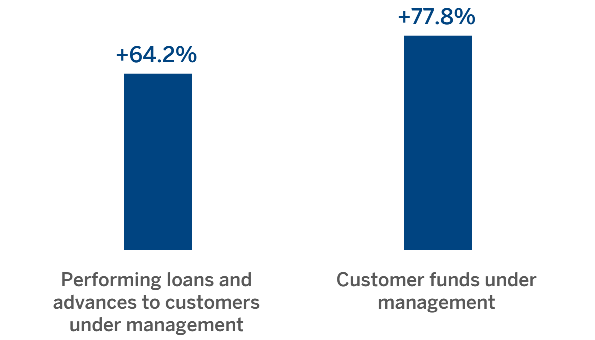
- Loan-loss provisions increased (+33.7%), mainly due to the higher provisioning needs of the retail portfolio, mainly in consumer and credit cards, partially affected by the strong increase of these segments. On the other hand, the cumulative cost of risk at the end of December 2023 stood at 2.96%, which is practically stable compared to the one registered at the end of September 2023 (+1 basis points).

3.2.3 Turkey

Highlights

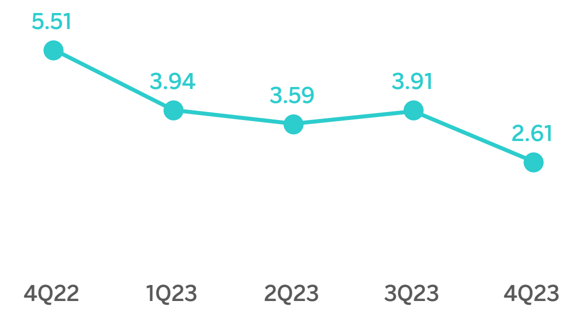
- **The dedollarization of the balance sheet continues**
- **Progressive improvement of the NPL ratio in the year**
- **The cost of risk remains at low levels during 2023**
- **Net attributable profit improvement**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-22)

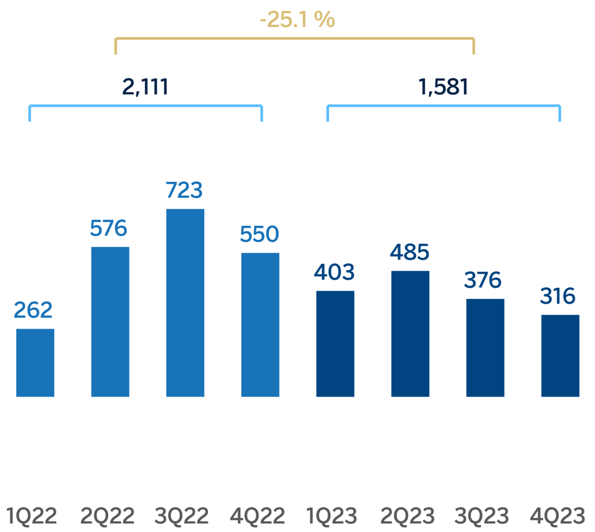


[(1)] Excluding repos.

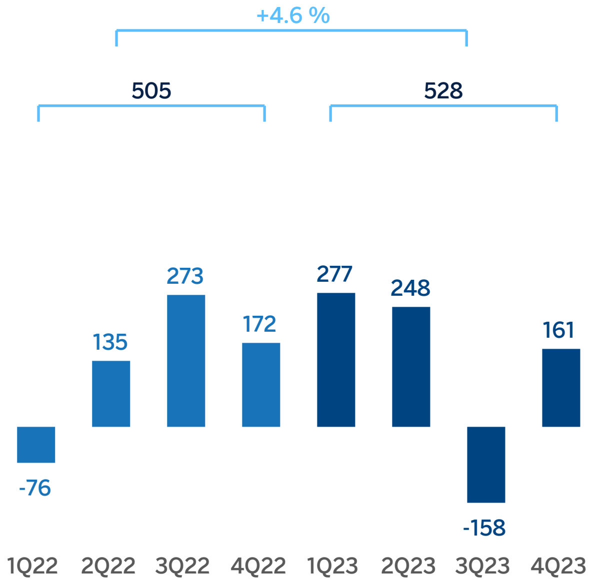
NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)



OPERATING INCOME (MILLIONS OF EUROS AT CURRENT EXCHANGE RATE)



NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CURRENT EXCHANGE RATE)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2023	Δ %	Δ % [1]	2022 [2]
Net interest income	**1,869**	**(28.4)**	**8.0**	**2,611**
Net fees and commissions	998	65.9	149.7	602
Net trading income	937	26.4	89.3	741
Other operating income and expenses	(824)	5.3	(40.5)	(782)
Gross income	**2,981**	**(6.0)**	**140.3**	**3,172**
Operating expenses	(1,400)	31.9	93.1	(1,061)
Personnel expenses	*(775)*	*30.7*	*96.4*	*(593)*
Other administrative expenses	*(475)*	*40.0*	*110.0*	*(340)*
Depreciation	*(150)*	*16.4*	*43.7*	*(129)*
Operating income	**1,581**	**(25.1)**	**206.9**	**2,111**
Impairment on financial assets not measured at fair value through profit or loss	(118)	(69.4)	(53.9)	(387)
Provisions or reversal of provisions and other results	(137)	55.4	138.2	(88)
Profit (loss) before tax	**1,325**	**(19.0)**	**n.s.**	**1,636**
Income tax	(702)	(36.3)	(6.9)	(1,103)
Profit (loss) for the period	**623**	**17.0**	**n.s.**	**533**
Non-controlling interests	(95)	243.9	n.s.	(28)
Net attributable profit (loss)	**528**	**4.6**	**n.s.**	**505**

Balance sheets	31-12-23	Δ %	Δ % [1]	31-12-22 [2]
Cash, cash balances at central banks and other demand deposits	9,700	60.0	161.7	6,061
Financial assets designated at fair value	3,692	(29.0)	16.1	5,203
Of which: Loans and advances	*2*	*(43.1)*	*(6.9)*	*3*
Financial assets at amortized cost	51,543	(0.2)	63.3	51,621
Of which: Loans and advances to customers	*37,416*	*(0.1)*	*63.4*	*37,443*
Tangible assets	1,496	23.4	86.0	1,213
Other assets	1,899	(2.0)	56.5	1,938
Total assets/liabilities and equity	**68,329**	**3.5**	**68.9**	**66,036**
Financial liabilities held for trading and designated at fair value through profit or loss	1,878	(12.1)	43.7	2,138
Deposits from central banks and credit institutions	2,306	(19.7)	31.3	2,872
Deposits from customers	50,651	9.3	78.8	46,339
Debt certificates	2,737	(15.4)	38.3	3,236
Other liabilities	4,319	(8.9)	45.1	4,741
Regulatory capital allocated	6,438	(4.1)	56.4	6,711

Relevant business indicators	31-12-23	Δ %	Δ % [1]	31-12-22
Performing loans and advances to customers under management [3]	37,339	0.4	64.2	37,191
Non-performing loans	1,965	(24.3)	23.7	2,597
Customer deposits under management [3]	49,321	8.2	76.9	45,592
Off-balance sheet funds [4]	7,768	12.0	83.2	6,936
Risk-weighted assets	54,506	(3.1)	57.9	56,275
Efficiency ratio (%)	47.0			33.5
NPL ratio (%)	3.8			5.1
NPL coverage ratio (%)	97			90
Cost of risk (%)	0.25			0.94

[1] At constant exchange rate.

[2] Balances restated according to IFRS 17 - Insurance contracts.

[3] Excluding repos.

[4] Includes mutual funds and pension funds.

Macro and industry trends

Since the general elections held in May 2023, there are increasing signs of normalization in economic policy in general, and monetary policy in particular, which point to a gradual reversal of the current macroeconomic distortions. Thus, benchmark interest rates were increased from 8.5% at the beginning of 2023 to 42.5% in December 2023, and they may continue to rise further in the coming months in order to curb inflation, which reached 64.8% in December on a year-on-year basis, and allowing for a greater stabilization of the Turkish lira. Economic growth is expected to moderate to 4.5% in 2023 and 3.5% in 2024 (unchanged from the previous forecasts), supported by a still dovish fiscal policy. Given the high uncertainty, it is likely that the pace of GDP growth will slow down. Eventually, pressures on inflation will ease, although it will remain at relatively high levels,

As for the Turkish banking system, the effect of inflation remains strong. Total lending in the system increased 54.7% on a year-on-year basis at the end of November 2023, at similar levels to the previous months. The credit stock continued to be driven by the increase of consumer finance and credit cards (+79,3% year-on-year) while credit to businesses grew slightly less (+49,6% year-on-year). Total deposits maintain their strength and increased at the end of November by 67.0% on a year-on-year basis. Turkish lira deposits continued to grow in the same month (+96,7%), while U.S. dollar deposits grew much more slowly (+36,5%). Dollarization decreased to 42% in November 2023 versus 50.6% a year earlier, boosted by regulatory measures put in place during the last months by the central bank. The system's NPL ratio continued to fall in recent months and in November 2023 was 1.63% (69 basis points lower than in the same month of 2022). Capital indicators remained at more than comfortable levels on the same date.

Unless expressly stated otherwise, all comments below on rates of changes for both activity and results, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators. For the conversion of these figures, the end of period exchange rate as of December 31, 2023 is used, reflecting the considerable depreciation by the Turkish lira in the last year, in particular during the second quarter of 2023, with a negative impact in the accumulated results at the end of December 2023. Likewise, the Balance sheet, the Risk-Weighted Asset (RWA) and the equity are affected.

Activity

The most relevant aspects related to the area's[65] activity in 2023 were:

- Lending activity (performing loans under management) increased between January and December 2023, mainly driven by the growth in Turkish lira loans (+54.6%). This growth was mainly supported by the performance of credit cards business loans and, to a lesser extent, of consumer loans. Foreign currency loans (in U.S. dollars) increased by 7.4%, favored by the increase in activity with customers focused on foreign trade (with natural hedging of exchange rate risk).
- In terms of asset quality, the NPL ratio fell by compared to December 2022 to stand at 3.8%, mainly due the good performance of the wholesale portfolio because of recoveries and repayments, which placed the NPL coverage ratio at 97% at the end of December 2023 (+664 basis points compared to the end of 2022).
- Customer deposits (74% of the area's total liabilities as of December 31, 2023) remained the main source of funding for the balance sheet and increased by 76.9%. The positive performance of Turkish lira time deposits (+122.2%), which represent 82% of total customer deposits in local currency, is noteworthy. Balances deposited in foreign currency (in U.S. dollars) continued their downward path and decreased by 12.3%, with transfers from foreign currency time deposits to Turkish lira time deposits observed under a foreign exchange protection scheme. Thus, as of December 31, 2023, Turkish lira deposits accounted for 62% of total customer deposits in the area. For its part, off-balance sheet funds grew significantly by 83.2%.

Results

Turkey generated a net attributable profit of €528m during 2023, which compares positively with the accumulated result reached at the end of December 2022, both periods reflecting the impact of the application of hyperinflation accounting.

As mentioned above, the year-on-year comparison of the accumulated income statement at the end of December 2023 at current exchange rate is affected by the strong depreciation of the Turkish lira in the last year (-38.9%). Excluding this effect, the highlights of the results for the year at constant exchange rate are summarized below:

- Net interest income recorded a year-on-year growth of 8.0%, mainly due to the growth in Turkish lira loans, as well as higher income from the securities portfolio in Turkish lira. This is partially offset by the decline in the Turkish lira spread.
- Net fees and commissions increased by 149.7%, favored by the performance in payment systems fees, brokerage activity, guarantees and asset management.
- NTI showed an excellent evolution (+89.3%) thanks to the increase in the results of the Global Markets unit, favored by foreign exchange operations and portfolio sales.
- The other operating income and expenses line showed a balance of €-824m, which compares favorably with the previous year. This line includes, among others, the loss in the value of the net monetary position due to the country's inflation rate, which stood below the loss recorded on 2022, partially offset by the income derived from inflation-linked bonds (CPI linkers). It is also worth highlighting the improved performance of the results of Garanti BBVA's subsidiaries, specially from renting and insurance, also included in this line.
- Operating expenses increased by 93.1%, with growth both in personnel, as a result of salary improvements to compensate for the loss of purchasing power of the workforce, and in general expenses, where higher expenses in technology stand out, as well as the institutional donation made by the BBVA Group to help those affected by the earthquake that struck an area in the south of the country in February 2023.

[65] The variation rates of loans in Turkish lira and loans in foreign currency (U.S. dollars) only refer to Garanti Bank. Thus they exclude the subsidiaries of Garanti BBVA, mainly in Romania and Netherlands.

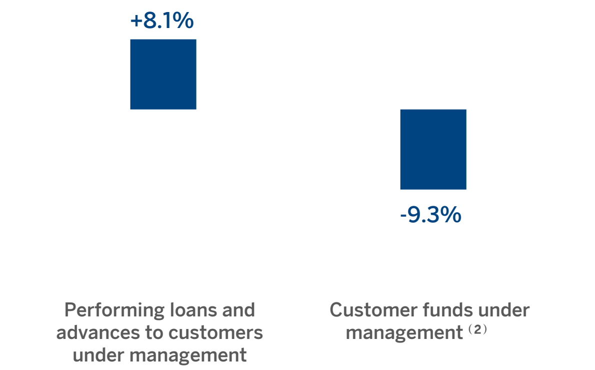
- Impairment on financial assets decreased by 53.9%, mainly due to improvements in credit quality and the repayments in the wholesale segments, which led to a significant improvement in the accumulated cost of risk as of December 31, 2023 to 0.25% from the 0.94% at the end of December of the previous year.
- The provisions and other results line closed December 2023 with a higher loss than in the same period of the previous year, mainly due to the update of the provisions for commitments with personnel and also as a result of higher provisions for contingent risks and commitments, linked to the earthquake and to the increase of the coverage of some specific clients.
- Lastly, the accumulated tax expense at the end of 2023 reflects both the positive impact of the revaluation, for tax purposes, of Garanti BBVA's non-cash assets that has generated a credit in corporate income tax rate, due to the higher tax base of the assets, and the increase of the corporate tax rate in Turkey from 25% to 30%, with retrospective application from January 1, 2023, which has negatively impacted the financial statements since the third quarter.

3.2.4 South America

Highlights

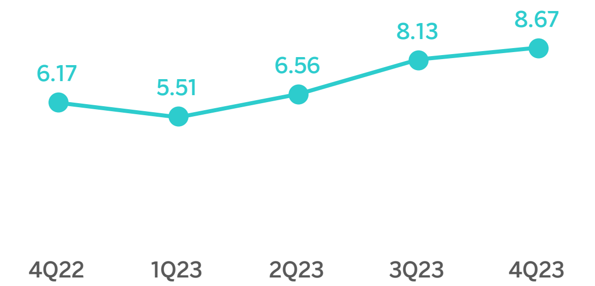
- **Growth in lending activity focused on the retail segments**
- **Excellent evolution of the net interest income and of the NTI**
- **Improvement in the efficiency of the area**
- **Higher adjustment for hyperinflation in Argentina**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

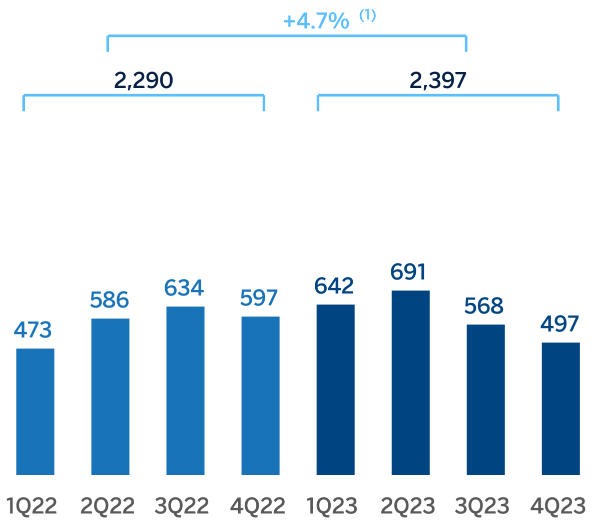


[1] Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

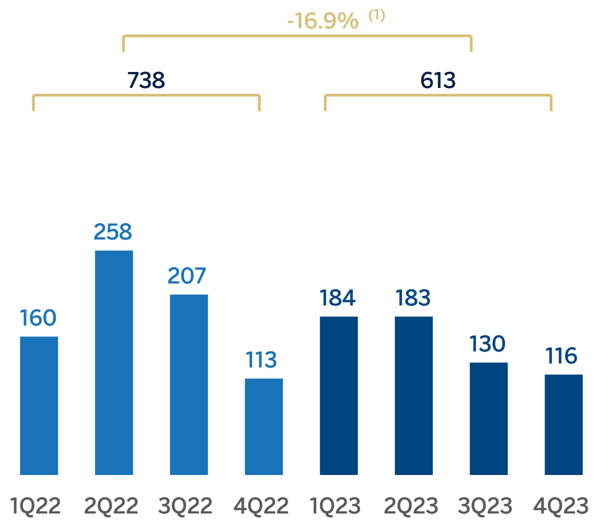


OPERATING INCOME (MILLIONS OF EUROS AT CURRENT EXCHANGE RATES)



[1] At constant exchange rates: +63.8%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CURRENT EXCHANGE RATES)



[1] At constant exchange rates: +43.2%

[2] The variation in customer funds under management is affected by the transfer of the pension funds managed by the Pension Fund Administrator that the BBVA Group maintains in Bolivia to the Public Long-Term Social Security Manager of Bolivia.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2023	Δ %	Δ % [1]	2022 [2]
Net interest income	**4,394**	**6.2**	**47.5**	**4,138**
Net fees and commissions	700	(10.1)	12.3	778
Net trading income	633	41.7	73.5	447
Other operating income and expenses	(1,395)	27.2	45.8	(1,097)
Gross income	**4,331**	**1.5**	**43.9**	**4,265**
Operating expenses	(1,934)	(2.1)	25.0	(1,976)
Personnel expenses	*(904)*	*(4.4)*	*25.1*	*(946)*
Other administrative expenses	*(864)*	*0.6*	*29.7*	*(859)*
Depreciation	*(165)*	*(2.8)*	*5.1*	*(170)*
Operating income	**2,397**	**4.7**	**63.8**	**2,290**
Impairment on financial assets not measured at fair value through profit or loss	(1,134)	48.9	75.3	(762)
Provisions or reversal of provisions and other results	(58)	(38.5)	(16.5)	(94)
Profit (loss) before tax	**1,206**	**(15.9)**	**61.3**	**1,434**
Income tax	(291)	(16.3)	156.4	(347)
Profit (loss) for the period	**915**	**(15.8)**	**44.3**	**1,087**
Non-controlling interests	(302)	(13.5)	46.7	(349)
Net attributable profit (loss)	**613**	**(16.9)**	**43.2**	**738**

Balance sheets	31-12-23	Δ %	Δ % [1]	31-12-22 [2]
Cash, cash balances at central banks and other demand deposits	6,585	(14.4)	(2.8)	7,695
Financial assets designated at fair value	10,508	(2.1)	21.9	10,739
Of which: Loans and advances	*592*	*290.9*	*221.8*	*152*
Financial assets at amortized cost	44,508	10.0	12.5	40,448
Of which: Loans and advances to customers	*41,213*	*7.2*	*8.6*	*38,437*
Tangible assets	939	(13.7)	(3.4)	1,088
Other assets	2,239	13.0	18.7	1,981
Total assets/liabilities and equity	**64,779**	**4.6**	**12.0**	**61,951**
Financial liabilities held for trading and designated at fair value through profit or loss	3,289	16.9	(1.3)	2,813
Deposits from central banks and credit institutions	5,140	(8.4)	(9.8)	5,610
Deposits from customers	42,567	6.3	14.7	40,042
Debt certificates	2,986	1.0	4.1	2,956
Other liabilities	4,502	(3.3)	35.0	4,655
Regulatory capital allocated	6,294	7.1	14.7	5,874

Relevant business indicators	31-12-23	Δ %	Δ % [1]	31-12-22
Performing loans and advances to customers under management [3]	41,013	6.6	8.1	38,484
Non-performing loans	2,302	25.4	21.4	1,835
Customer deposits under management [4]	42,567	6.3	14.7	40,042
Off-balance sheet funds [5]	5,525	(68.9)	(65.4)	17,760
Risk-weighted assets	49,117	4.9	11.8	46,834
Efficiency ratio (%)	44.7			46.3
NPL ratio (%)	4.8			4.1
NPL coverage ratio (%)	88			101
Cost of risk (%)	2.51			1.69

(1) At constant exchange rates.

(2) Balances restated according to IFRS 17 - Insurance contracts.

(3) Excluding repos.

(4) Excluding repos and including specific marketable debt securities.

(5) Includes mutual funds, customer portfolios in Colombia and Peru and pension funds in Bolivia as of 31-12-2022.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit (loss)			
Country	**2023**	**Δ %**	**Δ % (1)**	**2022 (2)**	**2023**	**Δ %**	**Δ % (1)**	**2022 (2)**
Argentina	483	3.0	n.s.	469	132	(28.7)	n.s.	185
Colombia	509	(16.6)	(12.7)	610	156	(35.5)	(32.5)	241
Peru	1,109	18.9	19.2	932	203	(1.2)	(1.0)	206
Other countries (3)	297	6.7	5.6	279	122	15.5	14.1	106
Total	**2,397**	**4.7**	**63.8**	**2,290**	**613**	**(16.9)**	**43.2**	**738**

(1) Figures at constant exchange rates.

(2) Balances restated according to IFRS 17 - Insurance contracts.

(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	
	31-12-23	**31-12-22**	**31-12-23**	**31-12-22**	**31-12-23**	**31-12-22**
Performing loans and advances to customers under management (1) (2)	2,259	809	16,951	16,134	17,179	16,747
Non-performing loans (1)	39	13	892	729	1,202	1,042
Customer deposits under management (1) (3)	4,060	1,470	17,875	15,855	16,939	16,035
Off-balance sheet funds (1) (4)	1,444	486	2,506	2,485	1,572	1,436
Risk-weighted assets	4,997	8,089	19,467	15,279	18,825	17,936
Efficiency ratio (%)	53.6	61.3	47.1	40.4	36.4	37.2
NPL ratio (%)	1.6	1.6	4.8	4.2	5.5	4.9
NPL coverage ratio (%)	136	173	89	106	84	91
Cost of risk (%)	2.18	2.61	2.13	1.56	3.04	1.58

(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 2023 were:

- Lending activity (performing loans under management) registered a variation of +8.1%, with growth focused on the retail portfolio, which grew more than the wholesale portfolio (+11.6% versus +4.8%), mainly favored by the evolution of consumer loans (+11.5%), and credit cards (+44.0%). On the other hand, corporate loans also increased (+4.8%).

- With regard to asset quality, the NPL ratio stood at 4.8% at the end of December 2023, which represents an increase of 73 basis points compared to the previous year, mainly due to non-performing loans increases within the retail portfolios in all countries which compose this aggregate, particularly in Colombia and Peru in a more complex macroeconomic environment and, to a lesser extent, due to the lower relative weight of Argentina, with a lower NPL ratio than the average. On the other hand, the NPL coverage ratio stood at 88% as of December 31, 2023, with a decrease of 13 percentage points compared to the previous year as a consequence of the non-performing loans increase and the higher write-offs volume in the year.

- Customer funds under management decreased (-9.3%) compared to the closing balances at the end of 2022, with an increase in both demand deposits (+7.4%) and time deposits (+28.7%) and a reduction of off-balance sheet funds (-65.4%) due to the transfer of pension funds managed by the Pension Fund Administrator that the BBVA Group maintains in Bolivia to the Public Long-Term Social Security Management Company of this country.

South America generated a cumulative net attributable profit of €613m at the end of the year 2023, which represents a year-on-year increase of +43.2%, driven by the good performance of recurring income (+41.4%) and the area's NTI, which offset the increase in expenses, in a highly inflationary environment throughout the region and higher provisioning needs for impairment on financial assets, mainly in Peru and, to a lesser extent, in Colombia, both affected by the worsening of macroeconomic environment.

The heading "Other operating income and expenses" mainly includes the impact of the adjustment for hyperinflation in Argentina, whose net monetary loss stood at €1,062m in the period January-December 2023, which is higher than the €822m registered in the period January-December 2022.

It should be noted that the year-on-year comparison of the cumulative income statement at the end of December 2023 at current exchange rates is affected by the strong Argentinian peso depreciation during the last quarter of the year.

More detailed information on the most representative countries of the business area is provided below:

Argentina

Macro and industry trends

The new government since the elections in November 2023 has announced an adjustment plan in order to correct the strong macroeconomic distortions which, among other measures, includes a significant fiscal deficit reduction and a severe currency depreciation. In this context, it is likely that annual inflation will increase significantly from 211% at the end of 2023 and that GDP, which has fallen by around 3.0% in 2023 (50 basis points above the previous forecast), will contract significantly during the following months. The recent adjustments, despite their short term impacts and the high associated risks, eventually complemented with additional measures such as an interest rate hike, could lay the foundations for a gradual inflation decrease and a growth recovery from the second half of 2024 onward. In a context of persistently high uncertainty, BBVA Research estimates that annual inflation will close 2024 around 175% and that GDP will fall around 4.0% this year (150 points above what was forecasted three months ago).

The banking sector continues to grow at a stable pace but feels the burden of high inflation. At the end of October 2023, total credit had grown by 130% compared to the same month in 2022, favored by both consumer and corporate portfolios, which reached year-on-year growth rates of 124% and 147%, respectively. On the other hand, deposits continued the trend of the previous months and at the end of October had grown by 122% year-on-year at the end of October. Finally, the NPL ratio decreased slightly to 2.8% at the end of October 2023 (28 basis points below the same month in 2022).

Activity and results

- Between January and December 2023, performing loans under management increased by 179.3%, showing growth in both the business portfolio (+221.3%) and the retail portfolio (+142.1%), highlighting in the latter the growth in credit cards (+154.4%) and consumer loans (+100.9%). With regard to asset quality, the NPL ratio stood at 1.6% and the NPL coverage ratio stood at 136% at the end of December 2023.

- Balance sheet funds grew by 176.1% between January and December 2023, with demand deposits increasing at a faster rate than time deposits (+248.0% versus +73.9%). On the other hand, mutual funds also increased (+196.9%).

- The cumulative net attributable profit at the end of December 2023 stood at €132m, well above the figure achieved in the same period of 2022. This is mainly explained by the favorable evolution of the net interest income, driven by both volume and price effects (mainly in the credit cards and business portfolio, together with an adequate liabilities cost management), as well as a higher profitability of the securities portfolios. This evolution was partially offset by a larger negative adjustment for hyperinflation (mainly reflected in the other operating income and expenses line), higher expenses -both in personnel due to salary revisions, as well as general expenses-, and higher loan-loan loss provisions, due to both the credit and the fixed income portfolios.

Colombia

Macro and industry trends

Economic activity lost momentum throughout 2023, in line with BBVA Research's expectations that maintain an unchanged GDP growth forecasts of 1.2% in 2023 and 1.5% in 2024. Lower growth in domestic demand is expected to favor a gradual moderation of inflation from 9.3% in December to around 6.9%, on average, in 2024. This will probably allow interest rates, currently at 13.0%, after a 25 basis points cut in December, to reach 7.0% by the end of this year.

Total credit growth for the banking system stood at 4.0% year-on-year in October 2023, and continues to be driven by the growth in corporate lending at 5.6% and mortgages at 8.8%. Consumer credit deceleration stands out, as it slowed from a year-on-year growth rate of 20% during 2022 to a fall of 0.8% in October 2023. Total deposits showed a year-on-year growth rate of 10.4% at the end of October 2023, with a strong shift towards time deposits (up 36.5% year-on-year) and a fall in demand deposits. The NPL ratio of the system has climbed in recent months to 5.1% in October 2023, 142 basis points higher than in the same month of 2022.

Activity and results

- Lending activity registered a growth of 5.1% compared to the end of 2022, with growth in practically all products, with a better performance in consumer loans, credit cards, mortgages and, to a lesser extent, business loans, although the latter showed deleveraging in the fourth quarter (-2.2%). In terms of asset quality, the NPL ratio stood at 4.8% and the NPL coverage ratio stood at 89% by the end of 2023.
- In 2023, customer deposits increased by 12.7% thanks to the positive evolution of time deposits (+26.6%), while off-balance sheet funds remained stable in the year (+0.8%).
- The cumulative net attributable profit at the end of 2023 stood at €156m, that is 32.5% lower than the previous year. The lower contribution from net interest income was affected by the high cost of funds and was partially offset by the net fees and commissions evolution. On the lower part of the income statement, there were higher operating expenses and an increase in provisions for impairment of financial assets due to higher requirements in the retail portfolio.

Peru

Macro and industry trends

In a context marked by adverse weather shocks and the effects of high inflation and a contractive monetary policy, economic activity showed weakness in 2023, in particular in the last months of the year. BBVA Research has therefore revised its forecast for GDP growth in 2023 from 0.4% to -0.4%. The moderation of inflation (which reached 3.2% in December 2023 and will reach an average of around 2.8% in 2024) as well as the rates cutting process (which have fallen in the last months 125 basis points to 6.50% and will fall to around 4.5% through 2024) will presumably support a recovery in activity and GDP growth of 2.0% in 2024 (30 basis points below the previous forecast).

Total credit in the Peruvian banking system fell 2.4% year-on-year in November 20232.4. Performance by portfolio is uneven, with the biggest slowdown in corporate lending, with a year-on-year contraction of 7.7%. However, consumer finance remained buoyant, growing by 9.0% year-on-year in November 2023, while the mortgage portfolio maintained a stable growth rate of around 5.1% year-on-year, in line with previous months. Total deposits in the system remained stable at the end of November 2023, with a slight growth of 0.3% year-on-year, showing a continued shift towards time deposits (18.3% year-on-year) to the detriment of demand deposits (-8.0% year-on-year). The NPL ratio across the banking system rose very slightly to 4.38% since the end of 2022).

Activity and results

- Lending activity remained flat compared to the close of December 2022 (+2.6%) supported by growth in consumer loans (+18.0%), credit cards (+21.5%) and, to a lesser extent, mortgage portfolios (+5.0%). This favorable evolution offset the slight deleveraging of the corporate portfolio (-0.7%) this year, mainly due to the maturities of the "Reactiva Perú" program (mitigated by the C&IB activity in the last quarter of the year). In terms of credit quality indicators, the NPL ratio stood at 5.5% and the NPL coverage ratio stood at 84% at the end of December 2023.

- Customers funds under management increased during 2023 (+6.0%) boosted by the good performance of time deposits (+29.3%), favored by the high rates environment and, to a lesser extent, by the off-balance sheet funds (+9.5%), which offset the lower balances in demand deposits (-3.9%).

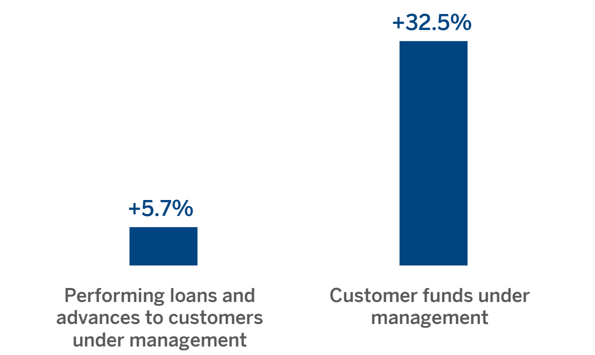
- BBVA Peru's net attributable profit stood at €203m at the end of December 2023, 1.0% below the figure achieved at the end of the previous year, despite the good performance of recurring income and the NTI. It was negatively impacted by the increase of provisions for impairment of financial assets (+92.1%), with higher requirements due to the worsening of the macroeconomic environment.

3.2.5 Rest of Business

Highlights

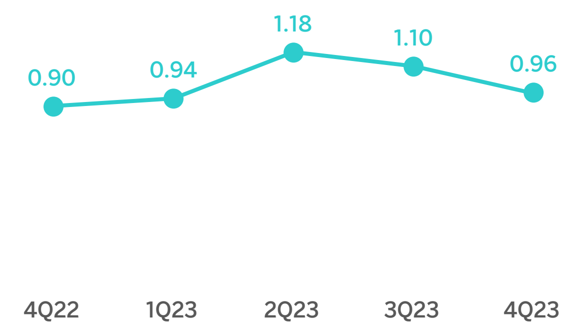
- **Growth in lending activity during the year, favored by the recovery during the quarter**
- **Dynamism in net interest income and NTI in the year**
- **The cost of risk remains at low levels**
- **Significant improvement of the efficiency ratio**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

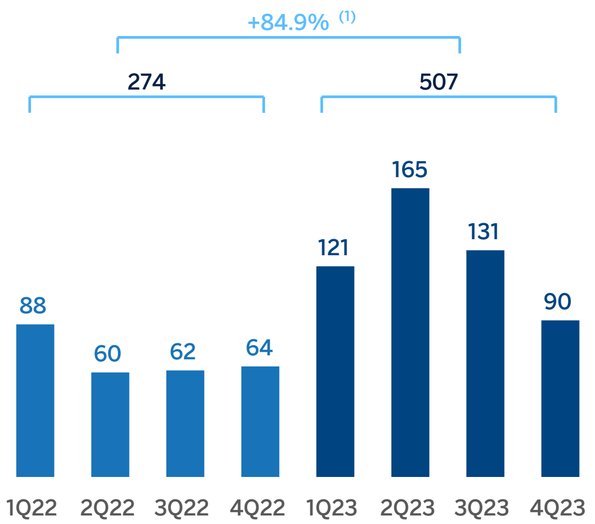


[1] Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

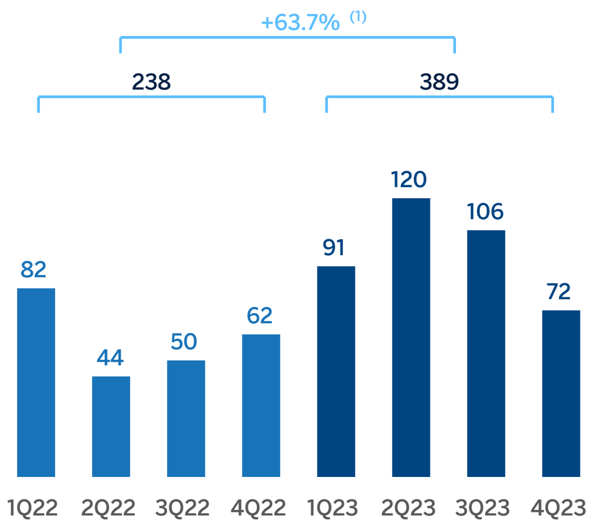


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +83.8%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: 62.6%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2023	Δ %	Δ % [(1)]	2022
Net interest income	**539**	**62.3**	**63.6**	**332**
Net fees and commissions	244	0.7	1.3	243
Net trading income	316	51.9	53.2	208
Other operating income and expenses	3	(50.1)	(48.9)	7
Gross income	**1,103**	**39.7**	**40.7**	**790**
Operating expenses	(596)	16.0	17.0	(513)
Personnel expenses	*(303)*	*13.5*	*14.5*	*(267)*
Other administrative expenses	*(267)*	*19.1*	*20.1*	*(224)*
Depreciation	*(26)*	*15.1*	*15.1*	*(23)*
Operating income	**507**	**83.8**	**84.9**	**276**
Impairment on financial assets not measured at fair value through profit or loss	(28)	107.4	113.1	(13)
Provisions or reversal of provisions and other results	(1)	n.s.	n.s.	14
Profit (loss) before tax	**479**	**73.0**	**74.1**	**277**
Income tax	(90)	140.0	140.8	(37)
Profit (loss) for the period	**389**	**62.6**	**63.7**	**240**
Non-controlling interests	—	—	—	—
Net attributable profit (loss)	**389**	**62.6**	**63.7**	**240**

Balance sheets	31-12-23	Δ %	Δ % [(1)]	31-12-22
Cash, cash balances at central banks and other demand deposits	4,748	18.3	22.1	4,015
Financial assets designated at fair value	15,475	204.0	213.7	5,090
Of which: Loans and advances	*14,783*	*249.5*	*261.8*	*4,230*
Financial assets at amortized cost	43,363	7.3	8.2	40,425
Of which: Loans and advances to customers	*39,322*	*5.2*	*6.2*	*37,375*
Inter-area positions	—	—	—	—
Tangible assets	151	93.1	92.9	78
Other assets	537	56.3	58.9	343
Total assets/liabilities and equity	**64,274**	**28.7**	**30.3**	**49,952**
Financial liabilities held for trading and designated at fair value through profit or loss	14,831	237.3	249.3	4,397
Deposits from central banks and credit institutions	3,085	12.4	13.7	2,745
Deposits from customers	13,056	32.9	33.8	9,827
Debt certificates	1,413	(9.4)	(8.5)	1,561
Inter-area positions	26,476	1.6	2.8	26,060
Other liabilities	1,223	20.5	22.5	1,014
Regulatory capital allocated	4,191	(3.6)	(2.6)	4,348

Relevant business indicators	31-12-23	Δ %	Δ % [(1)]	31-12-22
Performing loans and advances to customers under management [(2)]	39,202	4.7	5.7	37,431
Non-performing loans	368	91.0	91.0	192
Customer deposits under management [(2)]	13,056	32.9	33.8	9,827
Off-balance sheet funds [(3)]	566	8.8	8.8	520
Risk-weighted assets	36,410	3.8	4.9	35,064
Efficiency ratio (%)	54.0			65.0
NPL ratio (%)	0.7			0.4
NPL coverage ratio (%)	69			131
Cost of risk (%)	0.08			0.04

[(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 2023 were:

- Lending activity (performing loans under management) grew at a 5.7%, due to the favorable performance of the New York branch and, to a lesser extent, the business in Europe, which have offset the deleveraging of the wholesale business in Asia.
- With regard to asset quality indicators, the NPL ratio increased by 28 basis points in the year up to 0.7%, mainly thanks to the increased activity, resulting in the NPL coverage ratio closing the year at 69%, which means a fall of 62 percentage points compared to the ratio registered at the end of December 2022.
- Customer funds under management grew by 32.5%, with a growth in both the demand and time deposits, and the off-balance-sheet funds.

Results

Rest of Business achieved an accumulated net attributable profit of €389m during 2023, 63.7% higher than in the previous year, thanks to a favorable performance of the net interest income, and the NTI, which offset the increase in expenses in a context of higher inflation and normalization of loan-loss provisions.

In the year-on-year evolution of the main lines of the area's income statement at the end of December 2023, the following was particularly noteworthy:

- Net interest income increased by 63.6% as a result of the improvement in customer spread. The performance in Europe and, to a lesser extent, of the New York branch, are particularly worthy of mention.
- Net fees and commissions increased (+1.3%), with a good performance especially from the Group's businesses in the United States.
- The NTI grew by 53.2% supported by the results of the businesses that the Group maintains in the United States, with the New York branch standing out, and, to a lesser extent, by the results in Europe and Asia.
- Increase in operating expenses of 17.0%, mainly in Europe and the New York branch.
- The impairment on financial assets line at the end of December 2023 registered a provision of €28m, mainly originated in Europe.
- The provisions or reversal of provisions line and other results as a whole showed at the end of December 2023 a figure of €-1m, in contrast with the €14m reached 12 months ago due to releases for risks and contingent commitments in the New York branch.

3.2.6 Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2023	Δ %	2022
Net interest income	**(386)**	**253.3**	**(109)**
Net fees and commissions	(44)	40.2	(31)
Net trading income	(686)	133.6	(294)
Other operating income and expenses	87	(17.1)	105
Gross income	**(1,029)**	**212.7**	**(329)**
Operating expenses	(849)	(0.4)	(852)
Personnel expenses	*(670)*	*7.9*	*(621)*
Other administrative expenses	*31*	*n.s.*	*(26)*
Depreciation	*(210)*	*2.1*	*(206)*
Operating income	**(1,878)**	**59.0**	**(1,181)**
Impairment on financial assets not measured at fair value through profit or loss	1	n.s.	(2)
Provisions or reversal of provisions and other results	(21)	n.s.	8
Profit (loss) before tax	**(1,898)**	**61.6**	**(1,175)**
Income tax	288	4.1	277
Profit (loss) for the period	**(1,610)**	**79.3**	**(898)**
Non-controlling interests	3	n.s.	(25)
Net attributable profit (loss)	**(1,607)**	**74.2**	**(922)**

Balance sheets	31-12-23	Δ %	31-12-22
Cash, cash balances at central banks and other demand deposits	684	(20.1)	856
Financial assets designated at fair value	2,512	5.1	2,390
Of which: Loans and advances	*—*	*(100.0)*	*—*
Financial assets at amortized cost	3,622	11.0	3,262
Of which: Loans and advances to customers	*230*	*(17.2)*	*278*
Inter-area positions	—	—	—
Tangible assets	1,727	(7.3)	1,863
Other assets	14,530	1.3	14,349
Total assets/liabilities and equity	**23,074**	**1.6**	**22,719**
Financial liabilities held for trading and designated at fair value through profit or loss	125	15.6	108
Deposits from central banks and credit institutions	765	12.2	682
Deposits from customers	181	(2.8)	187
Debt certificates	380	n.s.	(863)
Inter-area positions	5,835	(26.7)	7,963
Other liabilities	3,554	(11.4)	4,011
Regulatory capital allocated	(43,033)	7.9	(39,887)
Total equity	55,265	9.4	50,517

General note: 2022 figures have been restated according to IFRS 17 - Insurance contracts.

Results

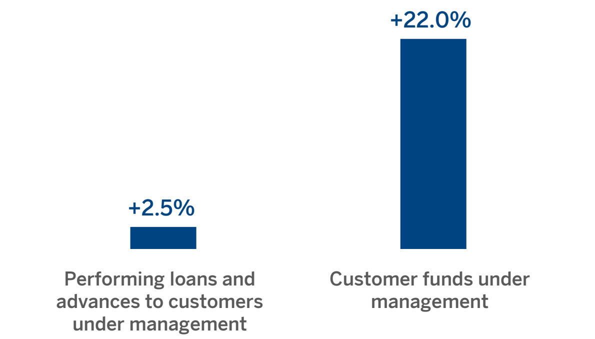
The Corporate Center recorded a net attributable profit of €-1,607m between January and December of 2023, compared with €-922m recorded on the same period of the previous year, mainly due to a negative contribution in the NTI line from exchange rate hedges as a result of a better than expected currency performance, in particular, the Mexican peso during the first half of the year.

3.2.7 Other information: Corporate & Investment Banking

Highlights

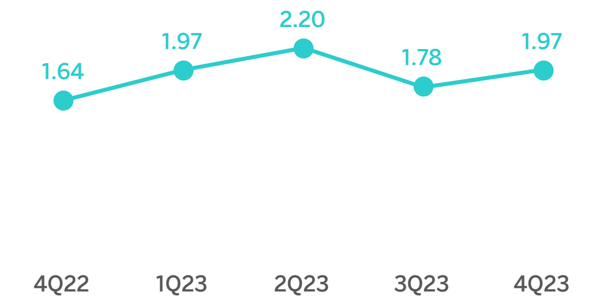
- **Increase in lending activity**
- **Excellent performance of NTI and favorable evolution of recurring income**
- **Efficiency improvement**
- **Year-on-year increase in net attributable profit**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

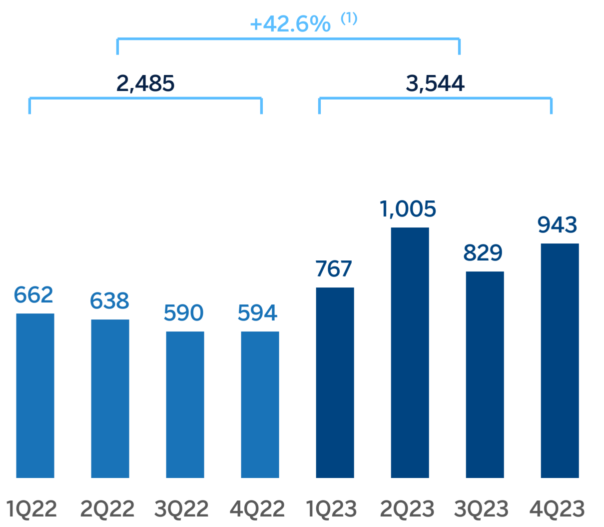


[1] Excluding repos.

GROSS INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

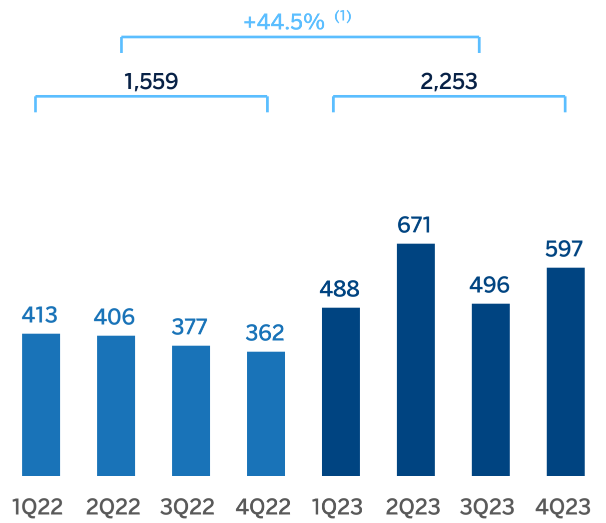


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +25.5%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +32.2%..

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2023 [1]	Δ %	Δ % [2]	2022
Net interest income	**2,102**	**7.7**	**19.5**	**1,952**
Net fees and commissions	1,007	10.2	16.8	914
Net trading income	1,759	56.0	78.2	1,128
Other operating income and expenses	(64)	50.0	68.1	(43)
Gross income	**4,804**	**21.6**	**34.6**	**3,950**
Operating expenses	(1,260)	11.9	16.1	(1,125)
Personnel expenses	*(622)*	*15.3*	*17.9*	*(540)*
Other administrative expenses	*(531)*	*10.3*	*17.6*	*(481)*
Depreciation	*(107)*	*2.2*	*1.1*	*(105)*
Operating income	**3,544**	**25.5**	**42.6**	**2,825**
Impairment on financial assets not measured at fair value through profit or loss	(11)	(89.8)	(82.7)	(104)
Provisions or reversal of provisions and other results	—	n.s.	n.s.	(12)
Profit (loss) before tax	**3,534**	**30.4**	**46.6**	**2,709**
Income tax	(1,006)	31.6	47.8	(764)
Profit (loss) for the period	**2,528**	**30.0**	**46.1**	**1,945**
Non-controlling interests	(275)	14.2	60.5	(241)
Net attributable profit (loss)	**2,253**	**32.2**	**44.5**	**1,704**

Balance sheets	31-12-23	Δ %	Δ % [2]	31-12-22
Cash, cash balances at central banks and other demand deposits	5,036	(8.8)	(10.1)	5,524
Financial assets designated at fair value	159,379	35.1	33.4	117,958
Of which: Loans and advances	*84,126*	*85.5*	*85.8*	*45,360*
Financial assets at amortized cost	97,325	8.8	10.8	89,440
Of which: Loans and advances to customers	*78,376*	*1.5*	*3.7*	*77,208*
Inter-area positions	—	—	—	—
Tangible assets	141	171.6	170.6	52
Other assets	10,645	n.s.	n.s.	862
Total assets/liabilities and equity	**272,526**	**27.4**	**27.6**	**213,836**
Financial liabilities held for trading and designated at fair value through profit or loss	131,118	32.7	31.5	98,790
Deposits from central banks and credit institutions	28,161	34.2	33.7	20,987
Deposits from customers	59,094	22.7	25.5	48,180
Debt certificates	6,076	14.8	13.5	5,292
Inter-area positions	29,657	15.8	16.9	25,609
Other liabilities	7,367	78.6	60.3	4,124
Regulatory capital allocated	11,054	1.8	6.3	10,855

Relevant business indicators	31-12-23	Δ %	Δ % [2]	31-12-22
Performing loans and advances to customers under management [3]	77,532	0.3	2.5	77,291
Non-performing loans	905	20.1	70.7	753
Customer deposits under management [3]	53,545	13.3	16.0	47,270
Off-balance sheet funds [4]	4,189	139.4	262.6	1,750
Efficiency ratio (%)	26.2			28.5

[1] For the translation of the income statement in those countries where hyperinflation accounting is applied, the punctual exchange rate as of December 31, 2023 is used.

[2] At constant exchange rates.

[3] Excluding repos.

[4] 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 end of period exchange rate as of December 31, 2023 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 2023 were:

- Lending activity (performing loans under management) was higher than at the end of December 2022 (+2.5%). Global Transaction Banking stands out, specially in the second half of the year, and by geographical areas, the performance in the United States and in Europe (excluding Spain) is noteworthy, both in Investment Banking & Finance.
- Customer funds continued to grow by 22.0% in 2023, maintaining the positive trend in price management.

Results

CIB generated a net attributable profit of €2,253m between January and December of 2023. These results, which do not include the application of hyperinflation accounting, represent an increase of 44.5% on a year-on-year basis and reflect the contribution of the diversification of products and geographical areas, as well as the progress of the Group's wholesale businesses in its strategy, leveraged on globality and sustainability, with the purpose of being relevant to its clients.

The contribution by business areas, excluding the Corporate Center, to CIB's accumulated net attributable profit at the end of December 2023 was as follows: 15% Spain, 29% Mexico, 29% Turkey, 13% South America and 15% Rest of Business.

All business line results have performed well, highlighting particularly the Global Transaction Banking (GTB) performance in all geographical areas, the contribution of Global Markets and Project Finance within Investment Banking & Finance (IB&F).

The most relevant aspects of the year-on-year evolution in the income statement of this aggregate are summarized below:

- Net interest income was 19.5% higher than in last year. GTB stands out, which evolved favorably, especially in Spain and the American region.
- Net fees and commissions registered an increase of 16.8%, with positive evolution in all businesses, specially in the United States and Mexico.
- Excellent NTI performance (+78.2%), mainly due to the performance of the Global Markets due to the income generated by foreign currency operations in emerging markets. By geographical areas, all of them showed growth, except Spain, which fell slightly.
- The operating expenses increased by 16.1%, driven by higher personnel expenses, partly due to measures taken by the Group to compensate for the loss in purchasing power of the workforce and salary review processes, as well as the increase in the number of employees in the area. On the other hand, general expenses continue to be affected by inflation and higher technology-related expenses. Despite this, the efficiency ratio stood at 26.2%, which represents an improvement compared to the previous year.
- Provisions for impairment on financial assets stood below the previous year, partly due to releases in Mexico.

4. Risk management

4.1 General risk management and control model
4.2 Credit risk
4.3 Market risk
4.4 Structural risks
4.5 Risks associated with climate change
4.6 Operational risk
4.7 Reputational risk
4.8 Risk factors

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 where sustainability is specifically considered, and the alignment 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 business 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, and to ensure adequate performance of the management and supervisory functions of the Board of Directors, the corporate governance system comprises different committees supporting the Board of Directors with regard to matters falling within their competence, and according to the specific charters of each committees. For this purpose, a coordinated work scheme between these corporate bodies has been established.

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 addition, and for an adequate performance of its duties, the Board of Directors is assisted by the Risk and Compliance Committee (CRC), on the issues detailed below, and by the Executive Committee (CDP), which is focused on the strategy, finance and business functions of the Group, for the purposes of which it monitors the risks of the Group. Additionally, and in a coordinated manner with the general supervision of financial and non-financial risks carried out by the Risk and Compliance Committee, the Audit Committee and the Technology and Cybersecurity Committee also assist the Board in the management and control of non-financial risks of an accounting, tax and reporting nature, and those of a technological nature, respectively.

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. They contain the basic lines for a consistent management and control of risks throughoutt the Group, and consistent 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 2023, 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.

Three lines of defense control model

IBBVA 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 defense, made up of the Business and Support Areas in charge of managing operational risks in their products, activities, processes and systems, including those present in activities that could have been outsourced. The Areas must integrate operational risk management into their day-to-day activities, identifying and evaluating operational risks, carrying out controls, assessing the sufficiency of their control environment and executing mitigation plans for those risks in which control weaknesses are identified.
- Second line of defense, made up of: (i) the Non-Financial Risk Units, which are responsible for designing and maintaining the Group's Operational Risk management model, and assessing the degree of application within the different Areas; and (ii) the Specialist Control Units in different risk areas, which define the General Framework of Mitigation, Control and Monitoring in the risks of their respective areas, and carry out an independent comparison on the sufficiency of the control environment implemented by the first defense line. The Non-Financial Risk Units and the Specialist Units are located in the Regulation and Internal Control area in order to ensure coordinated action by the second line of defense and to preserve their independence from the first line of defense.
- Third line of defense, 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 Core Services and Cross Services in the Corporate Area ofGRM, of the Front for “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 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 seeks to obtain a sound risk-adjusted profitability throughout the cycle through the development of a responsible universal banking business model, based on values, centered on our customers' needs, focused on sustainability as an opportunity, 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 sustaining a robust financial position, and facilitating its commitment with sustainable development, as the best way to face adverse environments without jeopardizing its strategy.

  Risk managementat BBVA Group is based on prudent management, an integral and anticipatory view of all risks, that allows us to adapt to the disruptive risk inherent in the banking business and includes the climate driver, portfolio diversification by geography, asset classes and client segment, anti-money laundering and financing of terrorism prevention, and accompanying our clients in achieving their goals and in the transition towards a sustainable future, to promote profitable growth and recurrent value creation."
- 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 income recurrence.
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 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. Identification of the material risks to which BBVA is exposed (risk assessment), which includes the identification of the main risk events as well as the identification of the main vulnerabilities, both in absolute terms and in relative terms in relation to the income generation capacity of the Group and its geographical and/or business areas.
2. Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.

3. 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.
4. 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.
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

Throughout the year, the persistent inflation, the Central Bank rates increases and the uncertainty surrounding economic growth have been the main factors that have impacted the markets, affecting to a greater or lesser extent depending on the region to the credit demand reduction and causing a strain on the payment capacity of families and companies.

Uncertainty continues to be high, and the geopolitical turbulence at the time of drafting of this report could contribute to a rebound in energy prices, and therefore, increase the biases towards more negative scenarios, with higher interest rates, persisting inflation and a greater than expected economic slowdown.

By region, the evolution during the year has been uneven. In Spain, although economy continued slowing down during the year 2023, the level of household debt is far from its all-time highs, favored by the dynamism of the labor market. In Mexico, the improvements in the growth outlook due to the dynamism of private consumption and the effect of the relocation of industrial production (nearshoring) is positively impacting the labor market. The uncertainty in Turkey continues, although growth remains solid. Despite changes in economic policy, system quality indicators remain at low levels. Finally, in general, growth has been less dynamic in South America, in a context of high inflation and interest rates, negative effects related to the slowdown in China, as well as adverse climatic factors and social conflicts, affecting the economic situation of families and companies.

Calculation of expected losses due to credit risk

For the estimation of expected losses, the models include individual and collective estimates, taking into account the macroeconomic forecasts in accordance with IFRS 9. Thus, the estimate at the end of the year includes the effect on expected losses of updating macroeconomic forecasts, which take into account the current global environment.

Additionally, the Group may complement 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.

Thus, in Spain, the severity of certain specific operations considered unlikely to pay was reviewed upwards because of different reasons to non-performing loans, with a remaining adjustment as of December 31, 2023 of €227 million, with a €161 million decrease compared with the end of the year 2022 mainly as a result of the annual model review process. In addition, due to the earthquakes that affected an area in the south of Turkey, during the month of February 2023 the classification of the credit exposure recorded in the five most affected cities was reviewed, which led to its reclassification to Stage 2. As of December 31, 2023 the amounts recorded in Stage 2 amounted to €273 million on-balance sheet and €406 million off-balance sheet exposure, with allowances for losses of approximately €25 million at contract level.

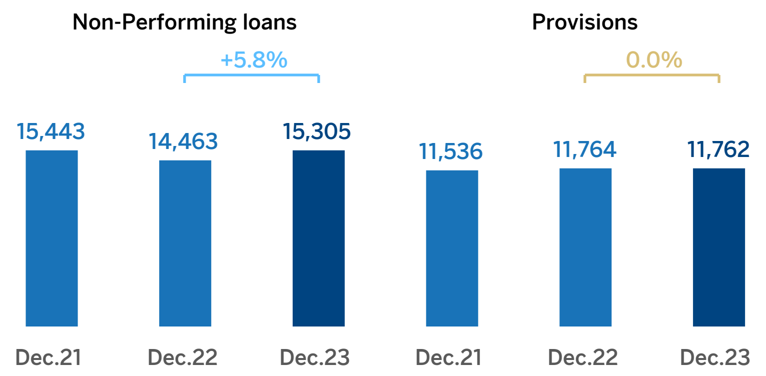
On the other hand, as of December 31, 2023, the complementary adjustments pending allocation to specific operations or customers are not significant, after the utilization and/or release of most of the adjustments during 2023. As of December 31, 2022, the complementary adjustments pending allocation to specific operations or customers totaled €302m, of which €163m corresponded to Spain, €92m to Mexico, €25m to Peru, €6m to Rest of Business of the Group, €11m to Colombia and €5m to Chile.

BBVA Group's credit risk indicators

The evolution of the Group’s main credit risk indicators is summarized below:

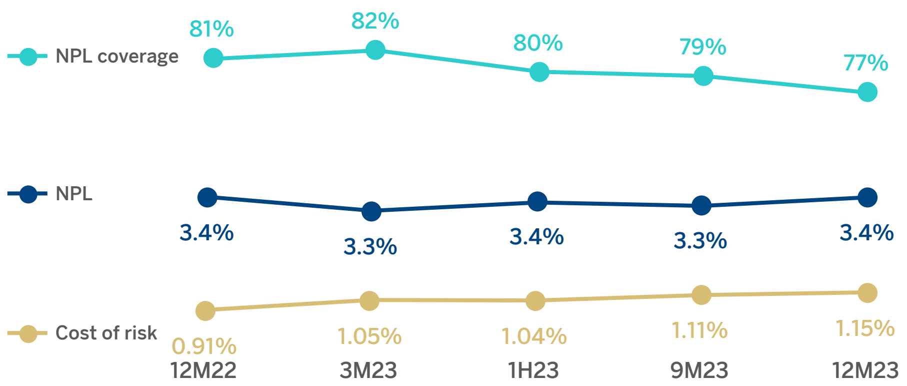
- Credit risk increased in the fourth quarter of the year by 0.9% (+2.9% in constant terms), with generalized growth at constant exchange rates in all geographic areas except in Spain, which had a flat evolution.
- Non-performing loans presented an increase of 3.0% at the Group level between September and December 2023 (+4.5% in constant terms), with general increases in all geographical areas except in Turkey, due to the effect of exchange rates, focused on retail portfolios, and in some singular clients in Rest of Business and in Mexico. Compared to the end of the previous year, the balance of non-performing loans increased by 5.8% (+7,7% at constant exchange rates), focused on retail portfolio in South America, Mexico, Spain and, to a lesser extent, Rest of Business, affected by singular customers inflows.

NON-PERFORMING LOANS AND PROVISIONS (MILLIONS OF EUROS)



- The NPL ratio rose to 3.4% as of December 31, 2023, which represents an increase of 7 basis points compared to the previous quarter, despite the stable evolution in the last twelve months.
- The NPL coverage ratio ended the quarter at 77%, 221 basis points below the previous quarter and 449 basis points lower than in the end of 2022, as a result of the non-performing loan increase throughout the year with coverage ratios that remain practically stable compared to those of the previous quarter (+0.1%) and of December 2022 (0.0%).
- The cumulative cost of risk as of December 31, 2023 stood at 1.15%, which is above the previous quarter, mainly due to the higher requirements in Spain, affected by the impact of the annual review exercise of models parameters for the losses estimation, and, to a lesser extent, in Colombia and Peru, which continue to be affected by the macroeconomic environment worsening.

NPL AND NPL COVERAGE RATIOS AND COST OF RISK (PERCENTAGE)



CREDIT RISK [1] (MILLIONS OF EUROS)

	31-12-23	30-09-23	30-06-23	31-03-23	31-12-22
Credit risk	**448,840**	**444,984**	**436,174**	**428,423**	**423,669**
Stage 1	*392,528*	*394,329*	*386,711*	*377,908*	*371,930*
Stage 2 [2]	*41,006*	*35,791*	*34,772*	*36,373*	*37,277*
Stage 3 (non-performing loans)	*15,305*	*14,864*	*14,691*	*14,141*	*14,463*
Provisions	**11,762**	**11,751**	**11,697**	**11,661**	**11,764**
Stage 1	*2,142*	*2,143*	*2,107*	*2,062*	*2,067*
Stage 2	*2,170*	*2,198*	*2,181*	*2,243*	*2,111*
Stage 3 (non-performing loans)	*7,450*	*7,410*	*7,409*	*7,357*	*7,586*
NPL ratio (%)	**3.4**	**3.3**	**3.4**	**3.3**	**3.4**
NPL coverage ratio (%) [3]	**77**	**79**	**80**	**82**	**81**

[1] Includes gross loans and advances to customers plus guarantees given.

[3] 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 76% as of December 31, 2023 and 80% as of December 31, 2022.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	4Q23 [1]	3Q23	2Q23	1Q23	4Q22
Beginning balance	**14,864**	**14,691**	**14,141**	**14,463**	**15,162**
Entries	3,038	2,898	2,875	2,256	2,332
Recoveries	(1,373)	(1,538)	(1,394)	(1,489)	(1,180)
Net variation	**1,665**	**1,360**	**1,481**	**767**	**1,152**
Write-offs	(983)	(830)	(877)	(1,081)	(928)
Exchange rate differences and other	(241)	(357)	(54)	(8)	(923)
Period-end balance	**15,305**	**14,864**	**14,691**	**14,141**	**14,463**
Memorandum item:					
Non-performing loans	14,444	13,947	13,787	13,215	13,493
Non performing guarantees given	862	918	905	926	970

[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 promotes the financing of the recurring growth of the banking business at suitable maturities and costs using a wide range of funding sources. BBVA's business model, risk appetite framework and funding strategy are designed to reach a solid funding structure based on stable customer deposits, mainly retail (granular). As a result of this model, deposits have a high degree of assurance in each geographical area, close to 55% in Spain and Mexico. It is important to note that, given the nature of BBVA's business, lending is mainly financed through stable customer funds.

One of the key elements in the BBVA Group's liquidity and funding management is the maintenance of large high-quality liquidity buffers in all geographical areas. In this respect, the Group has maintained during the last 12 months an average volume of high quality liquid assets (HQLA) of €130.77 billion, of which 97% corresponds to maximum quality assets (level 1 in the liquidity coverage ratio, LCR).

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). This strategy limits the spread of a liquidity crisis among the Group's different areas and ensures the adequate transmission of the cost of liquidity and financing to 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 LCR requires banks to maintain a volume of high-quality liquid assets sufficient to withstand liquidity stress for 30 days. BBVA Group's consolidated LCR remained comfortably above 100% during 2022 and stood at 149% as of December 31, 2023. It should be noted that, given the MPE nature of BBVA, this ratio limits the numerator of the LCR for subsidiaries other than BBVA S.A. to 100% of its net outflows. Therefore, the resulting ratio is below that of the individual units (the LCR of the main components reaches 178% in BBVA, S.A., 192% in Mexico and 212% in Turkey). Without considering this restriction, the Group's LCR ratio would reach 193%.
- The net stable funding ratio (NSFR) requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The BBVA Group's NSFR ratio stood at 131% as of December 31, 2023.

The breakdown of these ratios in the main geographical areas in which the Group operates is shown below:

LCR AND NSFR RATIOS (PERCENTAGE. 31-12-23)

	BBVA, S.A.	Mexico	Turkey	South America
LCR	178%	192%	212%	All countries >100
NSFR	120%	140%	178%	All countries >100

In addition to the above, the most relevant aspects related to the main geographical areas are the following:

- BBVA, S.A. has maintained a strong position with a large high-quality liquidity buffer, having repaid almost the entire TLTRO III program. During 2023, commercial activity has provided liquidity to the balance sheet mainly due to the good evolution of customer deposits in the last quarter of the year, with growth greater than that of lending activity. This performance is partially by the end of year seasonal component. On the other hand, in December 2022 the Bank started the repayment of the TLTRO III program for an amount of €12 billion, plus an additional repayment of €12 billion between February and March 2023 and another one of €11 billion in June 2023, which together represent more than the 90% of the original amount, maintaining at all times the regulatory liquidity metrics well above the established minimums.
- BBVA Mexico shows a solid liquidity situation, which has contributed to an efficient management of the cost of funds in an environment of rising interest rates. During the year, however, commercial activity has drained liquidity due to a sustained loan growth that has been greater than the fund growth. However, the change in the trend of the evolution of deposits stands out, which had kept a negative performance during the year due to transfers to off-balance sheet funds and which in the last quarter of the year show a significant increase mainly thanks to the seasonal inflows at the end of the year,
- In Turkey, during 2023, the lending gap in local currency has been reduced, due to a greater growth in deposits than in loans, while the lending gap in foreign currency has increased due to higher reductions in deposits. Garanti BBVA continues to maintain a stable liquidity position with comfortable ratios. On the other hand, the Central Bank of Turkey has promoted a gradual change of FX protected scheme to standard deposits in Turkish lira, specially in the second half of the year, as an additional step on dedollarization process of the economy.
- In South America, the liquidity situation remains adequate throughout the region. In Argentina, liquidity in the system continues to increase, as well as in BBVA due to a higher growth in deposits than in loans in local currency and no significant variations in foreign currency. In BBVA Colombia, the credit gap declined due to a higher volume of deposits together with a slowdown in lending growth. BBVA Peru maintains solid liquidity levels, showing a reduction in the credit gap throughout the year thanks to a growth in deposits higher than in lending activity, affected by the expiration of loans covered by COVID-19 programs.

The main wholesale financing transactions carried out by the BBVA Group during 2023 are listed below:

Issuer	Type of issue	Date of issue	Nominal (millions)	Currency	Coupon	Early redemption	Maturity date
BBVA, S.A.	Senior non-preferred	Jan-23	1,000	EUR	4.625 %	Jan-30	Jan-31
	Covered bonds	Jan-23	1,500	EUR	3.125 %	—	Jul-27
	Senior preferred	May-23	1,000	EUR	4.125 %	May-25	May-26
	Tier 2	Jun-23	750	EUR	5.750%	Jun-Sep 28	Sep-33
	AT1	Jun-23	1,000	EUR	8.375%	Dec-28	Perpetual
	Tier 2	Aug-23	300	GBP	8.250%	Aug-Nov 28	Nov-33
	AT1	Sep-23	1,000	USD	9.375%	Sep-29	Perpetual
	Tier 2	Nov-23	750	USD	7.883%	Nov-33	Nov-34
BBVA in Mexico	Senior (Tranche 1) - Green bond	Feb-23	8,689	MXN	TIIE day 1 + 32 basis points	—	Feb-27
	Senior (Tranche 2)	Feb-23	6,131	MXN	9.540%	—	Feb-30
	Tier 2	Jun-23	1,000	USD	8.450%	Jun-33	Jun-38
	Senior (Tranche 1)	Nov-23	9,900	MXN	TIIE day 1 + 32 basis points	—	Apr-27
	Senior (Tranche 2)	Nov-23	3,600	MXN	10.240%	—	Nov-30

Additionally, in June 2023, BBVA, S.A. completed a securitization of a portfolio of car loans for an amount of €804m.

In January 2024, BBVA, S.A. has carried out a public senior bond issue for €1,250m with a maturity of 10 years and a coupon of 3,875%. Moreover, BBVA, S.A. has announced its irrevocable decision to amortize an issue of Tier 2 subordinated bonds issued in February 2019, for an amount of €750m, on February 22, 2024. On the other hand, BBVA Mexico has issued Tier 2 bonds for USD 900m with a maturity of 15 years and early repayment option in 10 years with a coupon of 8,125%.

In Turkey, Garanti BBVA renewed in June a syndicated loan associated to environmental, social and corporate governance (ESG) criteria, consisting of two separate tranches of USD199m and €218.5m, both maturing in one year. In December, Garanti BBVA announced the renovation of the 100% of the maturity of a syndicated loan of USD 259.5m and €142.5m with a maturity of 367 days, also linked to ESG criteria. The total loan cost was SOFR + 3.50% for the tranche in USD and Euribor + 3.25% for the tranche in euros.

BBVA Colombia announced the launch of the first blue bond in Colombia, together with the International Finance Corporation (IFC), for an amount of USD 50m in its first tranche. Later, in October, the second tranche of the operation was disbursed for an amount of USD 67m.

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: +17 basis points for the U.S. dollar, -9 basis points for the Mexican peso and -4 basis points for the Turkish lira[66]. 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), with the aim of analyzing 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. The assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates are specially relevant. These assumptions are reviewed and adapted at least once a year, to take into account any changes in observed behavior.

[66] This sensitivity does not include the cost of capital hedges, which are currently estimated at 3 basis points per quarter for Mexican peso and 3 basis points per quarter for Turkish lira.

At the aggregate level, BBVA continues to have a positive sensitivity toward interest rate increases in the net interest income.

The first quarters of 2023 were characterized by a persistent high level of inflation, which, together with the strong growth indicators, served as reason for both the ECB and the Fed to consolidate their hawkish messages of high interest rates for a longer time. This positioning from monetary authorities contributed the sovereign curves to certain rises. However, in the last quarter of the year, decreasing inflation data and expectations converging towards central bank objectives, together with the weakening of some macroeconomic indicators, suggest that the rate hike cycle has come to an end in Europe and in the United States and have led the market to discount rate drops by mid-2024. This has triggered a fall in sovereign bond profitability and has caused a positive performance in most debt portfolios of the Group. Other peripheral rate curve spreads remain supported. In Mexico, the rate hike cycle is considered to be over, while in most countries of South America, interest rate cuts have started taking place. On the contrary, the Central Bank of Turkey has continued the tightening of its monetary policy launched in June with significant rate hikes.

By area, the main features are:

- Spain has a balance sheet characterized by a lending portfolio with 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 hedge for the balance sheet, mitigating its sensitivity to interest rate fluctuations. In an environment of high rates, currently close to their market-predicted terminal rates, the interest rate risk profile of the balance sheet has been reduced during the year.

  On the other hand, the ECB left rates unchanged in the last quarter of the year, bringing the benchmark interest rate to 4.5%, the marginal deposit facility rate at 4.0% and the marginal loan facility rate at 4.75% as of December 31, 2023. The market expects there to be a first rate drop in the first half of 2024 and, in this environment, the Euribor 6 and 12 month reference rates fell in the fourth quarter of 2023, starting to reflect these expectations, while shorter term benchmark rates remained broadly stable. All in all, the customer spread benefited in 2023 from asset repricing and the containment in the cost of deposits, yet at a slower pace during the last quarter of the year.
- Mexico continues to show a balance between fixed and variable interest rates balances, which results in a limited sensitivity to interest rates fluctuations. In terms of assets that are most sensitive to interest rate changes, the commercial portfolio stood out, while consumer loans and mortgages are mostly at a fixed rate. With regard to customer funds, the high proportion of non-interest bearing deposits, which are insensitive to interest rate movements, should be highlighted. The ALCO portfolio is invested primarily in fixed-rate sovereign bonds with limited maturities. The monetary policy rate stood at 11.25%, 75 basis points above the end-of-year level of 2022, but has remained stable since March 2023. Regarding customer spread, there has been an improvement during 2023, favored by both the containment of the cost of deposits and the positive evolution of the loan yield.
- In Turkey, the sensitivity of deposits is offset by the ALCO portfolio and loans (fixed rate and relatively short-term). The sensitivity of the net interest income remains very limited thanks to the different efforts carried out by the Bank. The CBRT has recently increased monetary policy rates, taking interest rates from 8.5% to 42.5% by the end of 2023. In terms of customer spread, it has worsened due to the evolution of the deposit costs linked to regulatory requirements, despite the high profitability of loans.
- 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, the balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a very low level of exposure. Regarding benchmark rates, the cut cycle has begun in the region. In Peru it stood at 6.75% as of December 2023, 75 basis points below its 2022 closing level, with an additional cut of 25 basis points in January 2024. The customer spread in Peru had a positive performance in the year due to the positive evolution of loan performance and the containment of deposit costs. In Colombia, after not changing the monetary policy since April 2023, in December 2023 the central bank cut rates by 25 basis points, leaving the official rate at 13.00%. Thus, customer spread in Colombia continued the improvement trend initiated in the second quarter of the year. In Argentina, after the primary elections in August, a significant rate hike of 2,100 basis points was implemented reaching 118%, and kept increasing further up to 133%, but was reduced to 100% after the last central bank meeting in December 2023.

INTEREST RATES (PERCENTAGE)

	31-12-23	30-09-23	30-06-23	31-03-23	31-12-22	30-09-22	30-06-22	31-03-22
Official ECB rate	4.50	4.50	4.00	3.50	2.50	1.25	0.00	0.00
Euribor 3 months (1)	3.94	3.88	3.54	2.91	2.06	1.01	(0.24)	(0.50)
Euribor 1 year (1)	3.68	4.15	4.01	3.65	3.02	2.23	0.85	(0.24)
USA Federal rates	5.50	5.50	5.25	5.00	4.50	3.25	1.75	0.50
TIIE (Mexico)	11.25	11.25	11.25	11.25	10.50	9.25	7.75	6.50
CBRT (Turkey)	42.50	30.00	15.00	8.50	9.00	12.00	14.00	14.00

(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:

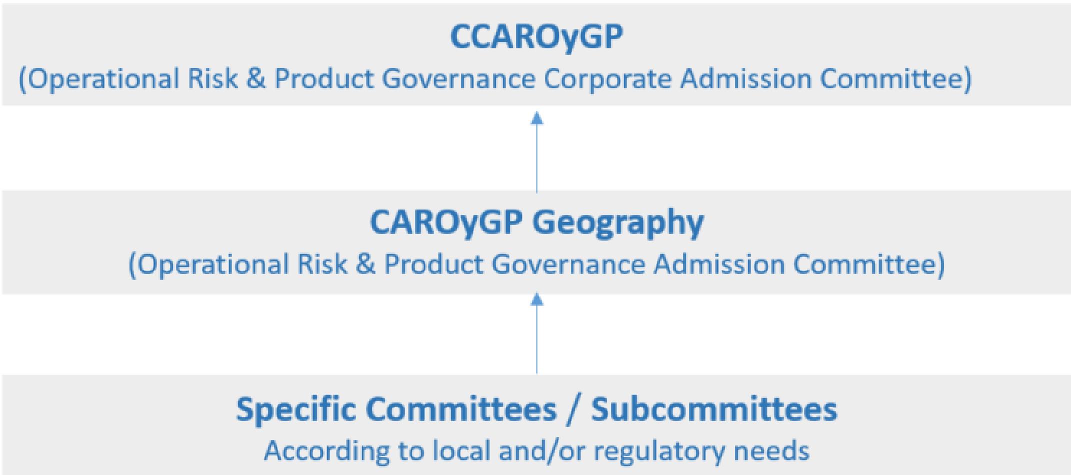
- Economic capital calculated with the operational losses database of the Group, considering the corresponding intra-geographical diversification effects and the additional estimation of potential and emerging risks through stress scenarios. The economic capital is regularly calculated for the main banks 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, measures are taken to seek 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, the alteration of the institutional environment of the countries in which it operates, and the Group is exposed to sovereign debt especially in Spain, Mexico and Turkey.

The global economy is currently facing a number of extraordinary challenges. The war in Ukraine and the sanctions imposed against and by Russia have led to significant disruption, instability and volatility in global markets, as well as higher inflation and lower economic growth, mostly due to higher energy prices, which have stabilized more recently.

Although oil and gas prices have reduced and financial volatility has eased, there is still a risk that geopolitical tensions lead to additional increases in input prices and financial instability, particularly following the tensions triggered by the armed conflict in the Middle East, including the recent disruptions to maritime trade routes in the Red Sea.

Another global macroeconomic risk is the possibility of a sharp growth slowdown in China, which could lead to lower GDP expansion than currently expected in many geographies. Although it may be possible to offset part of the expected growth slowdown through the adoption of certain fiscal, monetary and regulatory measures by the authorities, there are risks related to tensions in the real estate markets and the possible effects of the United States economic sanctions, among others.

Geopolitical and economic risks have also increased in recent years as a result of trade tensions between the United States and China, Brexit, and the rise of populism, among other factors. Growing tensions may lead, among other 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.

Moreover, the world economy could be vulnerable to other factors, such as a restrictive monetary policy, in a context of relatively high inflationary pressures, which could cause a significant growth slowdown - and, even, a sharp economic recession - as well as new episodes of financial stress.

The Group's results of operations have been particularly affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in both interest revenue and interest expenses. In addition, the persistence of high interest rates could adversely affect the Group by reducing the demand for credit and leading to an increase in the default rate of its borrowers and other counterparties. On the other hand, the process of reducing interest rates has already begun in many geographies and could begin by mid-2024 in the United States and the Eurozone as well. Moreover, the Group's results of operations have been affected by the high inflation in all countries in which BBVA operates, especially Turkey and Argentina.

The Group is exposed, among others, to the following general risks with respect to the economic and institutional environment in the countries 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; a significant increase in oil and gas prices, which would 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, which 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; 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 such debt; and episodes of volatility in the financial markets, which could cause significant losses for the Group. In particular, in Argentina, the risk of economic and financial turbulence persists in a context of regulatory, economic and political uncertainty, and in which the adjustments announced by the new government to correct the high economic distortions, including a strong fiscal adjustment and a significant exchange rate depreciation, have further reinforced short-term inflationary pressures. In Spain, political, regulatory and economic uncertainty has also increased since the July general elections; there is a risk that policies could have an adverse impact on the economy. In Mexico, uncertainty is related mainly to the June 2024 elections and the possible policies of the new government. Finally, in Colombia and Peru, climatic factors and greater social conflict could eventually have a negative impact on the economy.

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 of the attached Consolidated Financial Statements).

There are increasing signs of normalization in economic policy in general, and monetary policy in particular, since the general elections held in May 2023, which may lead to a gradual correction of the current distortions. Despite the gradual improvement of macroeconomic conditions, the situation remains relatively unstable, characterized by a gradual depreciation of the Turkish lira, high inflation, a significant trade deficit, low central bank's foreign reserves and high external financing costs. The earthquakes of February 2023 deepened Turkey's economic struggles. In addition to the vast human losses caused by it, the earthquakes added pressure on inflation as well as the external and fiscal balances. Continuing unfavorable economic conditions in Turkey may result in a potential deterioration in the purchasing power and creditworthiness of the clients of the Group (both individuals and corporations). In addition, the relatively low official interest rates (despite the recent upward adjustments) in a context of still high inflation, the regulatory and macroprudential policies affecting the banking sector and currency depreciation have affected and may continue to affect the Group's results.

Additionally, certain geopolitical factors, such as the war in Ukraine and the armed conflict in the Middle East, and internal political developments, generate uncertainty about the evolution of the economy and could trigger scenarios of greater instability.

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.

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 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.

New business and 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.

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. 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, 2023, the Group had €696 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 €539 million correspond to legal contingencies and €158 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 BBVA. On July 29, 2019, BBVA was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. 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. Since the beginning of the investigation, BBVA has been proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As at the date of this Annual Report, no formal accusation against BBVA has been made.

By order of the Criminal Chamber of the National High Court, the pre-trial phase ended on January 29, 2024. It is not possible at this time to predict the possible outcomes or implications for the Group of this matter, including any fines, damages or harm to the Group’s reputation caused thereby.

Risks in connection with climate change

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

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

- Legal and regulatory risks: Legal and regulatory changes related to how banks are required to manage climate risk or otherwise affecting banking practices or disclosure of climate-related information may result in higher compliance, operational and credit risks and costs. Further, legal and regulatory changes may result in legal uncertainty and the existence of overlapping or conflicting regulatory or other requirements. The Group or its customers or counterparties may be unable to meet any new requirements on a timely basis or at all. Further, changes in law, including new product and service specifications, may result in the sudden devaluation of certain assets. Any of these risks may affect the Group and its customers and counterparties. In addition, in the case of banks, new regulation could include requirements related to lending, investing, capital and liquidity adequacy and operational resilience. The incorporation of climate risks in the existing prudential framework is still developing and may result in increased risk weighting of high-carbon-related assets. Moreover, there are significant risks and uncertainties inherent in the development of adequate climate change-related risk assessment and modelling capabilities and the collection of customer, third party and other data, which may result in the Group’s systems or frameworks (or those of its customers and counterparties, where applicable) being inadequate, inaccurate or susceptible to incorrect customer, third party or other data, any of which could adversely affect the Group’s disclosure and financial reporting. Further, increased regulation arising from climate change could result in increased litigation and regulatory investigations and actions.
- Technological risks: Certain of the Group’s customers and counterparties may be adversely affected by the progressive transition to a low-carbon economy and/or risks and costs associated with new low-carbon technologies. If our customers and counterparties fail to adapt to the transition to a low-carbon economy, or if the costs of doing so adversely affect their creditworthiness, this could adversely affect the Group’s relevant loan portfolios.

- Market risks: The Group and certain of the Group's customers and counterparties may be adversely affected by changes in market preferences due to, among others, increasing climate change awareness. Further, the funding costs of businesses that are perceived to be more exposed to climate change could increase. Any of this could result in the reduced creditworthiness of such customers and counterparties, adversely affecting the Group's relevant loan portfolios. The Group and its customers and counterparties could also be adversely affected by changes in prices resulting from shifts in demand or supply brought by climate change, including prices of energy and raw materials, or by their inability to foresee or hedge any such changes.
- Reputational risks: The perception of climate change as a risk by society, shareholders, customers, governments and other stakeholders continues to increase, including in relation to the financial sector's activities. This may result in increased scrutiny of the Group's activities, as well as its climate change-related policies, goals and disclosure. The Group's reputation and ability to attract or retain customers may be harmed if its efforts to reduce environmental and social risks are deemed to be insufficient or if a perception is generated among the different stakeholders that the Group's statements, actions or disclosure do not fairly reflect the underlying sustainability profile of the Group, its products, services, goals and/or policies. The Group may elect not to undertake lending or investing activities that would otherwise have been profitable in order to avoid reputational harm. Further, divergent views on ESG policies may also have a negative impact on the Group's reputation. Increased scrutiny of the Group's activities, as well as its climate change-related policies, goals and disclosure may result in litigation and regulatory investigations and actions. The Group has disclosed certain aspirational climate-related goals and such goals, which are being pursued over the long-term, may prove to be considerably more costly or difficult than currently expected, or even impossible, to achieve, including as a result of changes in environmental and energy regulation and policy, the pace of technological change and innovation and the actions of governments, Group's customers and competitors.

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

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)
5.2 Organizational chart
5.3. Tables related to Article 8 of the European Taxonomy

5.1. Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). Additionally, the Group also considers that some Alternative Performance Measures (hereinafter APMs) provide useful additional financial information that should be taken into account when evaluating performance. They are considered complementary information and do not replace the financial information drafted according to the EU-IFRS. 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). The guideline mentioned before is 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 issuers.
- 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 in the most recent period for each currency[67] 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 and 2021. For the year 2023, no reconciliation is presented because there are no differences between the income statements of the Consolidated Financial Statements and the consolidated management income statement.

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 addition, in 2021 there is a difference in the positioning of the results generated in that year 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, as can be seen in the reconciliation table for the year 2021.

[67] 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	2022	ADJUSTMENTS	2022	MANAGEMENT INCOME STATEMENT
NET INTEREST INCOME	**19,124**	**—**	**19,124**	**Net interest income**
Dividend income	123			[1]
Share of profit or loss of entities accounted for using the equity method	21			[1]
Fee and commission income	8,260		8,260	Fees and commissions income
Fee and commission expense	(2,888)		(2,888)	Fees and commissions expenses
	5,372	—	5,372	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	2,622			
Expense from insurance and reinsurance contracts	(1,547)			
	(1,691)	—	(1,691)	Other operating income and expenses
GROSS INCOME	**24,743**	**—**	**24,743**	**Gross income**
Administration costs	(9,373)		(10,701)	Operating expenses [2]
Personnel expense	(5,601)	—	(5,601)	Personnel expenses
Other administrative expense	(3,773)	—	(3,773)	Other administrative expenses
Depreciation and amortization	(1,328)	—	(1,328)	Depreciation
	14,042	**—**	**14,042**	**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	**10,372**	**—**	**10,372**	
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	**10,268**	**134**	**10,402**	**Profit (loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(3,505)	67	(3,438)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**6,763**	**201**	**6,965**	**Profit (loss) for the period**
Profit (loss) after tax from discontinued operations	—	—		
PROFIT (LOSS) FOR THE PERIOD	**6,763**	**201**	**6,965**	**Profit (loss) for the period**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(405)**	**—**	**(405)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,358**	**201**	**6,559**	**Net attributable profit (loss) excluding non-recurring impacts**
		(201)	(201)	Discontinued operations and Others
ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,358**	**—**	**6,358**	**Net attributable profit (loss)**

General note: 2022 figures have been restated according to IFRS 17 - Insurance contracts.

[1] Included within the Other operating income and expenses of the Management Income Statements

[2] Depreciations included.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT		ADJUSTMENTS	MANAGEMENT INCOME STATEMENT	
	2021		2021	
NET INTEREST INCOME	**14,686**	**—**	**14,686**	**Net interest income**
Dividend income	176			(1)
Share of profit or loss of entities accounted for using the equity method	1			(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 (2)
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)**

(1) Included within the Other operating income and expenses of the Management Income Statements

(2) 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. 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
(Millions of euros)	+	Profit (loss) after tax from continued operations	8,416	6,763	5,338
(Millions of euros)	+	Profit (loss) after tax from discontinued operations [1]	—	—	280
	=	**Profit (loss) for the period**	**8,416**	**6,763**	**5,618**

[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 defined as the profit (loss) 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
(Millions of euros)	+	Profit (loss) after tax from continued operations	8,416	6,763	5,338
(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**	**8,416**	**6,965**	**6,034**

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. 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
(Millions of euros)	+	Net attributable profit (loss) from continued operations	8,019	6,358	4,373
(Millions of euros)	+	Net attributable profit (loss) from discontinued operations [1]	—	—	280
	=	**Net attributable profit (loss)**	**8,019**	**6,358**	**4,653**

[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 defined as the net attributable profit (loss) of 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 comparison purposes.

Adjusted net attributable profit (loss)

			Jan.-Dec.2023	Jan.-Dec.2022	Jan.-Dec.2021
(Millions of euros)	+	Net attributable profit (loss) from continued operations	8,019	6,358	4,373
(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)**	**8,019**	**6,559**	**5,069**

Net attributable profit (loss) 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.

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) for AVR

			Jan.-Dec.2023	Jan.-Dec.2022
(Millions of euros)	+	Net attributable profit (loss) [(1)]	8,019	6,420
(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) for AVR**	**8,019**	**6,381**

[(1)] The 2022 figure has not been restated according to IFRS 17 - Insurance contracts.

ROE

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) of the Group's consolidated income statement. 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	=	Net attributable profit (loss)	8,019	6,358	4,653
Denominator (Millions of euros)	+	Average shareholders' funds	65,907	61,517	60,030
	+	Average accumulated other comprehensive income	(16,437)	(16,055)	(15,396)
	=	**ROE**	**16.2 %**	**14.0 %**	**10.4 %**

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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	=	Adjusted net attributable profit (loss)	8,019	6,559	5,069
Denominator (Millions of euros)	+	Average shareholders' funds	65,907	61,517	60,030
	+	Average accumulated other comprehensive income	(16,437)	(16,055)	(15,396)
	=	**Adjusted ROE**	**16.2 %**	**14.4 %**	**11.4 %**

ROTE

The ROTE (return on tangible equity) ratio measures the accounting 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 Group's consolidated 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	=	Net attributable profit (loss)	8,019	6,358	4,653
Denominator (Millions of euros)	+	Average shareholders' funds	65,907	61,517	60,030
	+	Average accumulated other comprehensive income	(16,437)	(16,055)	(15,396)
	-	Average intangible assets	2,254	2,119	2,265
	-	Average intangible assets from BBVA USA	—	—	897
	=	**ROTE**	**17.0 %**	**14.7 %**	**11.2 %**

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)" is the same and is calculated in the same way as explained for adjusted ROE, and the items of the denominator "Average shareholders' funds" and " Average accumulated other comprehensive income" are the same and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the Group's consolidated balance sheet, which include goodwill and other intangible assets. 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	=	Adjusted net attributable profit (loss)	8,019	6,559	5,069
Denominator (Millions of euros)	+	Average shareholders' funds	65,907	61,517	60,030
	+	Average accumulated other comprehensive income	(16,437)	(16,055)	(15,396)
	-	Average intangible assets	2,254	2,119	2,265
	=	**Adjusted ROTE**	**17.0 %**	**15.1 %**	**12.0 %**

RORC for AVR

The RORC (return on regulatory capital) measures the return on regulatory capital necessary to meet the CET1 fully-loaded target ratio[68]. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss) excluding corporate transactions for AVR}}{\text{Average regulatory capital of the Group}}$$

Explanation of the formula: The numerator is the net attributable profit (loss) for AVR, described above. The denominator is the average regulatory capital of the Group, defined as the Risk Weighted Assets multiplied by the CET1 fully-loaded target ratio plus regulatory deductions plus the perimeter differences between regulatory and accounting own funds less Solvency minority interests. 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.2023	Jan.-Dec.2022
Numerator (Millions of euros)	=	Net attributable profit (loss) for AVR	8,019	6,381
Denominator (Millions of euros)	=	Average regulatory capital of the Group	44,412	41,815
	=	**RORC for AVR**	**18.06%**	**15.26%**

General note: 2022 figures have not been restated according to IFRS 17 - Insurance contracts.

ROA

The ROA (return on assets) ratio measures the accounting 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 of the Group's consolidated income statement. 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.

[68] For the years 2022 and 2023, the target fully-loaded CET1 ratio considered for the purposes of this metric has been placed at 12%, at the top of the Group's established target management range of 11.5-12.0% of CET1.

ROA		Jan.-Dec.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	Profit (loss) for the period	8,416	6,763	5,618
Denominator (Millions of euros)	Average total assets	748,459	701,093	678,563
=	ROA	1.12 %	0.96 %	0.83 %

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. 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	Adjusted profit (loss) for the period	8,416	6,965	6,034
Denominator (Millions of euros)	Average total assets	748,459	701,093	640,142
=	Adjusted ROA	1.12 %	0.99 %	0.94 %

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 RWA 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	Profit (loss) for the period	8,416	6,763	5,618
Denominator (Millions of euros)	Average RWA	353,139	327,998	324,819
=	RORWA	2.38 %	2.06 %	1.73 %

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.

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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	Adjusted profit (loss) for the period	8,416	6,965	6,034
Denominator (Millions of euros)	Average RWA	353,139	327,998	300,276
	= **Adjusted RORWA**	**2.38 %**	**2.12 %**	**2.01 %**

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.2023	Jan.-Dec.2022	Jan.-Dec.2021
(Millions of euros)	+	Net attributable profit (loss)	8,019	6,358	4,653
(Millions of euros)	-	Remuneration related to the Additional Tier 1 securities (CoCos)	345	313	359
Numerator (millions of euros)	=	Net attributable profit (loss) ex.CoCos remuneration	7,675	6,045	4,293
Denominator (millions)	+	Average number of shares outstanding	5,988	6,424	6,668
	-	Average treasury shares of the period	5	9	12
	-	Share buyback program (average) [1]	28	225	255
	=	**Earning (loss) per share (euros)**	**1.29**	**0.98**	**0.67**

[1] In 2023 the average number of shares is included taking into account the two redemptions made corresponding to the programs announced in that year. In 2022 the average number of shares is included, taking into account the two redemptions made corresponding to the program announced in 2021. In 2021 112 millons of shares acquired under the shares buyback program and the estimated number of shares pending to be acquired under the first tranche as of December 31, 2021 are included.

Additionally, for management purposes, earning (loss) per share is presented excluding the following non-recurring impacts: (I) the net cost related to the restructuring process recorded on the second quarter of 2021; and (II) the net impact from the purchase of offices in Spain in the second quarter of 2022.

Adjusted earning (loss) per share

			Jan.-Dec.2023	Jan.-Dec.2022	Jan.-Dec.2021
(Millions of euros)	+	Net attributable profit (loss) ex. CoCos remuneration	7,675	6,045	4,293
(Millions of euros)	-	Discontinued operations	—	—	280
(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	7,675	6,246	4,709
Denominator (millions)	+	Number of shares outstanding	5,838	6,030	6,668
	-	Average treasury shares of the period	5	9	12
	=	**Adjusted earning (loss) per share (euros)**	**1.32**	**1.04**	**0.71**

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, other operating income and expenses, and income from assets and expenses from liabilities under insurance and reinsurance contracts. 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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	+	Operating expenses	12,308	10,701	9,530
Denominator (Millions of euros)	+	Gross income	29,542	24,743	21,066
	=	**Efficiency ratio**	**41.7 %**	**43.2 %**	**45.2 %**

Efficiency ratio for AVR

Explanation of the formula: The numerator “Operating expenses for AVR” and the denominator “Gross income” are the same and are calculated in the same way as explained for the efficiency ratio.

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.2023	Jan.-Dec.2022
Numerator (Millions of euros)	=	Operating expenses for AVR	12,308	10,760
Denominator (Millions of euros)	=	Gross income	29,542	24,890
	=	**Efficiency ratio for AVR**	**41.7 %**	**43.2 %**

General note: 2022 figures have not been restated according to IFRS 17 - Insurance contracts.

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				
		31-12-23	**31-12-22**	**31-12-21**
Numerator (Euros)	∑ Dividends	0.47	0.35	0.14
Denominator (Euros)	Closing price	8.23	5.63	5.25
	= **Dividend yield**	**5.7 %**	**6.2 %**	**2.6 %**

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) and excluding the shares corresponding to share buyback programs. 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					
			31-12-23	**31-12-22**	**31-12-21**
Numerator (Millions of euros)	+	Shareholders' funds	67,955	64,535	60,383
	+	Accumulated other comprehensive income	(16,254)	(17,642)	(16,476)
Denominator (Millions of shares)	+	Number of shares outstanding	5,838	6,030	6,668
	-	Treasury shares	4	5	15
	-	Share buyback program (1)	—	—	255
	=	**Book value per share (euros / share)**	**8.86**	**7.78**	**6.86**

(1) The redemption of 128 millions of shares corresponding to the share buyback program approved by the BBVA Board of Directors in July 2023 , whose execution started on October 2, 2023, was made on December 19, 2023. 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) and excluding the shares corresponding to share buyback programs which are deducted from the shareholders' funds. 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					
			31-12-23	31-12-22	31-12-21
Numerator (Millions of euros)	+	Shareholders' funds	67,955	64,535	60,383
	+	Accumulated other comprehensive income	(16,254)	(17,642)	(16,476)
	-	Intangible assets	2,363	2,156	2,197
Denominator (Millions of shares)	+	Number of shares outstanding	5,838	6,030	6,668
	-	Treasury shares	4	5	15
	-	Share buyback program (1)	—	—	255
	=	**Tangible book value per share (euros / share)**	**8.46**	**7.43**	**6.52**

(1) The redemption of 128 millions of shares corresponding to the share buyback program approved by the BBVA Board of Directors in July 2023 , whose execution started on October 2, 2023, was made on December 19, 2023. 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[69] in 2022, the capital gain from the voluntary takeover bid of Garanti BBVA in 2022.

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. 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.

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[70]).

Tangible book value per share for AVR				
			31-12-23	31-12-22
Numerator (Millions of euros)	+	Tangible book value for AVR	n.a.	46,054
Denominator (Millions of shares)	+	Number of shares issued	n.a.	6,030
	+	Dividend-option		—
	-	Treasury shares	n.a.	5
	-	Share buyback program (1)	n.a.	—
=		**Tangible book value per share for AVR (euros)**	**n.a.**	**7.64**

General note: 2022 figures have not been restated according to IFRS 17 - Insurance contracts.

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 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.

[69] From 2023 onwards, this indicator starts to be considered a long-term indicator and will include non-recurring operations.
[70] In RVA 2023, this indicator has been transformed into a long-term indicator.

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				
		31-12-23	31-12-22	31-12-21
Numerator (Millions of euros)	NPLs	15,305	14,463	15,443
Denominator (Millions of euros)	Credit Risk	448,840	423,669	376,011
=	**Non-Performing Loans (NPLs) ratio**	**3.4 %**	**3.4 %**	**4.1 %**

General note: credit risk figures for 2022 periods have been restated according to IFRS 17 - Insurance contracts.

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				
		31-12-23	31-12-22	31-12-21
Numerator (Millions of euros)	Provisions	11,762	11,764	11,536
Denominator (Millions of euros)	NPLs	15,305	14,463	15,443
=	**NPL coverage ratio**	**77 %**	**81 %**	**75 %**

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. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized. By doing this, "Annualized loan-loss provisions" are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis (based on days passed).

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.2023	Jan.-Dec.2022	Jan.-Dec.2021
Numerator (Millions of euros)	Loan-loss provisions	4,345	3,252	3,026
Denominator (Millions of euros)	Average loans to customers (gross)	378,402	356,064	325,013
=	**Cost of risk**	**1.15 %**	**0.91 %**	**0.93 %**

General note: average loans to customers (gross) figures for 2022 periods have been restated according to IFRS 17 - Insurance contracts.

5.2. Organizational chart

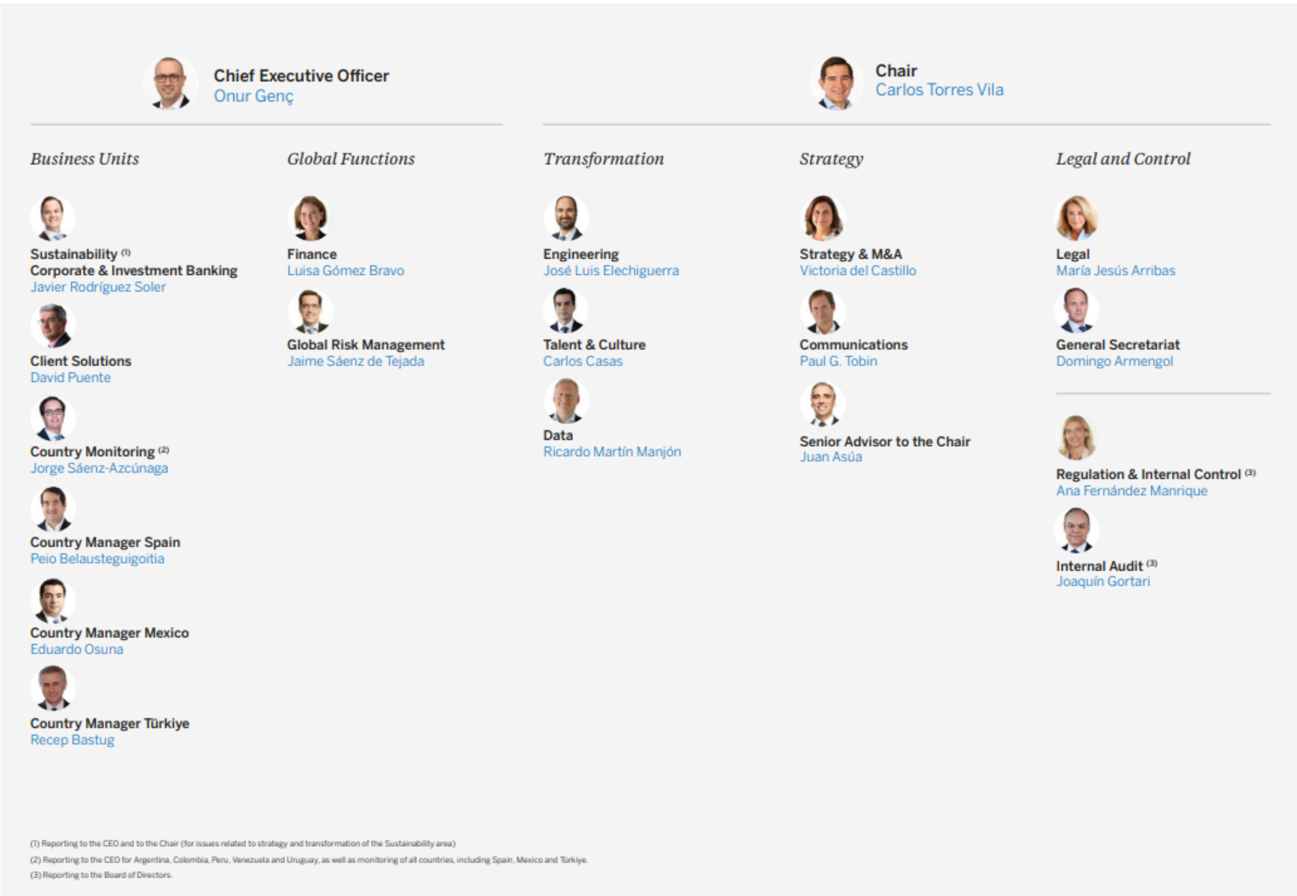
In 2023, the Group's organizational structure remains in line with the one approved by the BBVA Board of Directors at the end of 2018, a structure that meets the objective of continuing to promote the transformation and businesses of the Group, while advancing in the delimitation of executive functions.

The main aspects of the organizational structure are:

- The Chair 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 Chair 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, Sustainability and Client Solutions, 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.



5.3 Tables related to Article 8 of the European Taxonomy

SUMMARY OF THE KPIs TO BE DISCLOSED BY CREDIT INSTITUTIONS

	Total environmentally sustainable assets [1]	KPI [2]	KPI [3]	% coverage (over total assets)[4]
Green asset ratio (GAR) stock	2,302	0.52%	0.80%	59.04%

	Total environmentally sustainable activities	KPI	KPI	% coverage (over total assets)
GAR (flow)				
Trading book				
Financial guarantees	380	2.02%	5.51%	
Assets under management	285	0.16%	0.34%	
Fees and commissions income [5]				

[1] The figure corresponding to the total environmentally sustainable assets (turnover), in line with the Pillar III ESG summary.

[2] based on the Turnover KPI of the counterparty.

[3] based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.

[4] % of assets covered by the KPI over banks´ total assets.

[5] Fees and commissions income from services other than lending and AuM.

ASSETS FOR THE CALCULATION OF GAR - TURNOVER

		Disclosure reference date T														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
Million EUR	**Total [gross] carrying amount**			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	245,270	121,137	2,180	—	120	789	1,062	122	—	—	9	122,198	2,302	—	120	798
Financial corporations	40,449	4,153	—	—	—	—	562	—	—	—	—	4,715	—	—	—	—
Credit institutions	20,040	2,255	—	—	—	—	369	—	—	—	—	2,624	—	—	—	—
Loans and advances	16,634	1,629	—	—	—	—	155	—	—	—	—	1,783	—	—	—	—
Debt securities, including UoP	3,397	627	—	—	—	—	214	—	—	—	—	841	—	—	—	—
Equity instruments	9	—	—		—	—	—	—		—	—	—	—		—	—

Other financial corporations	20,409	1,898	—	—	—	—	193	—	—	—	—	2,091	—	—	—	—
of which investment firms	1,065	302	—	—	—	—	2	—	—	—	—	304	—	—	—	—
Loans and advances	998	302	—	—	—	—	2	—	—	—	—	304	—	—	—	—
Debt securities, including UoP	66	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	1	—	—	—	—	—	—	—		—	—	—	—		—	—
of which management companies	448	18	—	—	—	—	—	—	—	—	—	18	—	—	—	—
Loans and advances	344	18	—	—	—	—	—	—	—	—	—	18	—	—	—	—
Debt securities, including UoP	19	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	85	—	—		—	—	—	—		—	—	—	—		—	—
of which insurance undertakings	2,024	21	—	—	—	—	35	—	—	—	—	56	—	—	—	—
Loans and advances	738	21	—	—	—	—	—	—	—	—	—	22	—	—	—	—
Debt securities, including UoP	5	—	—	—	—	—	5	—	—	—	—	5	—	—	—	—
Equity instruments	1,281	—	—		—	—	30	—		—	—	30	—		—	—
Non-financial corporations	22,389	6,321	1,490	—	120	789	500	122	—	—	9	6,821	1,612	—	120	798
NFCs subject to NFRD disclosure obligations																
Loans and advances	19,775	6,116	1,408	—	115	736	474	119	—	—	8	6,590	1,527	—	115	744
Debt securities, including UoP	1,266	131	67	—	6	38	3	3	—	—	2	134	69	—	6	40
Equity instruments	1,348	74	15		—	14	23	—		—	—	97	15		—	14
Households	177,287	109,728	690	—	—	—	—	—	—	—	—	109,728	690	—	—	—
of which loans collateralised by residential immovable property	96,226	96,226	690	—	—	—	—	—	—	—	—	96,226	690	—	—	—
of which building renovation loans	4,478	4,478	—	—	—	—	—	—	—	—	—	4,478	—	—	—	—
of which motor vehicle loans	9,024	9,024	—	—	—	—	—	—	—	—	—	9,024	—	—	—	—
Local governments financing	4,210	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Collateral obtained by taking possession: residential and commercial immovable properties	934	934	1	—	—	—	—	—	—	—	—	934	1	—	—	—
Other local government financing	4,210	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other assets excluded from the numerator for GAR calculation (covered in the denominator)	196,518	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	160,448															
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	57,850															
Loans and advances	56,917															

of which loans collateralised by commercial immovable property	8,875															
of which building renovation loans	367															
Debt securities	516															
Equity instruments	417															
Non-EU country counterparties not subject to NFRD disclosure obligations	102,598															
Loans and advances	98,990															
Debt securities	3,112															
Equity instruments	497															
Derivatives	1,420															
On demand interbank loans	7,085															
Cash and cash-related assets	7,782															
Other assets (e.g. Goodwill, commodities etc.)	19,783															
Total GAR assets	**441,787**	**121,137**	**2,180**	**—**	**120**	**789**	**1,062**	**122**	**—**	**—**	**9**	**122,198**	**2,302**	**—**	**120**	**798**
Other assets not covered for GAR calculation	306,457															
Sovereigns	96,465															
Central banks exposure	68,488															
Trading book	141,505															
Total assets	748,244											—	—	—	—	—
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																
Financial guarantees	18,782	973	378	—	17	189	110	2	—	—	—	1,083	380	—	17	189
Assets under management	179,338	982	273	—	16	155	42	11	—	—	7	1,024	285	—	16	162
Of which debt securities	53,240	464	113	—	10	42	10	4	—	—	4	474	117	—	10	46
Of which equity instruments	9,648	518	161	—	6	112	31	7	—	—	3	550	168	—	6	115

1. The present information has been prepared in accordance with Commission Delegated Regulation (EU) 2021/2178, of July 6, 2021, which supplements Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and the presentation of information on environmentally sustainable economic activities

2. Customers' economic activities are classified as eligible or aligned in accordance with the Delegated Acts supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council. Specifically, the economic activities covered by Delegated Regulations (EU) 2021/2139 on mitigation and adaptation to climate change have been taken into consideration.

3. Customers' economic activities are classified as eligible or aligned taking into account the modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, which includes economic activities in certain energy sectors, and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 establishing additional technical criteria.

4. The data includes the most significant BBVA Group entities that correspond to 96.5% of the total assets and represent in the best possible way the Group information required by current regulations. The financial assets analyzed correspond to the categories of financial instruments valued "At amortized cost", "Fair Value with Changes in Other Comprehensive Income (FVOCI)", "Fair Value with Changes in P&L" and "Non-negotiable at Fair Value with changes in result

5. NFRD counterparties are those subject to Directive 2014/95/EU (the Non-Financial Reporting Directive or NFRD), such as large listed companies, banks and insurance companies, with more than 500 employees. BBVA identifies NFRD counterparties mainly in two ways: i) review of the registered office in a country of the European Union and ii) more than 500 employees. In the event that the previous criterion is not met and if the client belongs to a business group, the same review is carried out at the parent company level.

6. Eligibility information for NFRD counterparties is obtained through an external reference provider in the sector, which obtains EU taxonomy KPI information directly from their corporate reports, EINF or equivalent. In the case of NFRD clients for whom the information has not been provided through the previous means, the information from their corporate reports is captured by BBVA or the client's main activity is analyzed to establish their eligibility.

7. Exposure to individuals includes self-employed workers, in which case the activity code (NACE) is reviewed to determine eligibility. The rest of the exposure corresponding to the individual segment is reviewed for the use of funds to be considered eligible, for example, in the case of housing loans. EU Taxonomy activity 7.7 Acquisition and ownership of buildings, EU Taxonomy activity 7.2 Renovation of independently existing buildings, or Cars: EUT 6.5 Transport by motorcycles, passenger cars and light commercial

8. While exposures to governments and central banks are excluded from the GAR calculation symmetrically, from the numerator and denominator, financing to small and medium-sized enterprises that do not fall within the scope of the NFRD or financing outside EU (even if they meet the taxonomy criteria requirements) cannot qualify as aligned with the taxonomy. Furthermore, activities not covered by the EU taxonomy will be excluded from the numerator, but not from the denominator of GAR.

ASSETS FOR THE CALCULATION OF GAR - CAPEX

		Disclosure reference date T														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
Million EUR	Total [gross] carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	245,270	122,018	3,406	—	125	1,355	1,092	119	—	—	17	123,110	3,525	—	125	1,373
Financial corporations	40,449	4,198	—	—	—	—	573	—	—	—	—	4,771	—	—	—	—
Credit institutions	20,040	2,191	—	—	—	—	369	—	—	—	—	2,560	—	—	—	—
Loans and advances	16,634	1,594	—	—	—	—	155	—	—	—	—	1,749	—	—	—	—
Debt securities, including UoP	3,397	597	—	—	—	—	214	—	—	—	—	812	—	—	—	—
Equity instruments	9	—	—		—	—	—	—		—	—	—	—		—	—
Other financial corporations	20,409	2,007	—	—	—	—	204	—	—	—	—	2,211	—	—	—	—
of which investment firms	1,065	267	—	—	—	—	11	—	—	—	—	278	—	—	—	—
Loans and advances	998	267	—	—	—	—	11	—	—	—	—	278	—	—	—	—
Debt securities, including UoP	66	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	1	—	—		—	—	—	—		—	—	—	—		—	—
of which management companies	448	18	—	—	—	—	—	—	—	—	—	18	—	—	—	—
Loans and advances	344	18	—	—	—	—	—	—	—	—	—	18	—	—	—	—
Debt securities, including UoP	19	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	85	—	—		—	—	—	—		—	—	—	—		—	—
of which insurance undertakings	2,024	10	—	—	—	—	35	—	—	—	—	45	—	—	—	—
Loans and advances	738	10	—	—	—	—	—	—	—	—	—	10	—	—	—	—
Debt securities, including UoP	5	—	—	—	—	—	5	—	—	—	—	5	—	—	—	—
Equity instruments	1,281	—	—		—	—	30	—		—	—	30	—		—	—
Non-financial corporations	22,389	7,157	2,716	—	125	1,355	519	119	—	—	17	7,676	2,835	—	125	1,373
NFCs subject to NFRD disclosure obligations																
Loans and advances	19,775	6,809	2,464	—	114	1,284	500	116	—	—	14	7,310	2,580	—	114	1,298

Debt securities, including UoP	1,266	311	230	—	10	58	4	3	—	—	3	315	234	—	10	62
Equity instruments	1,348	37	21		—	13	15	—	—	—	—	52	21		—	13
Households	177,287	109,728	690	—	—	—	—	—	—	—	—	109,728	690	—	—	—
of which loans collateralised by residential immovable property	96,226	96,226	690	—	—	—	—	—	—	—	—	96,226	690	—	—	—
of which building renovation loans	4,478	4,478	—	—	—	—	—	—	—	—	—	4,478	—	—	—	—
of which motor vehicle loans	9,024	9,024	—	—	—	—	—	—	—	—	—	9,024	—	—	—	—
Local governments financing	4,210	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Collateral obtained by taking possession: residential and commercial immovable properties	934	934	1	—	—	—	—	—	—	—	—	934	1	—	—	—
Other local government financing	4,210	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other assets excluded from the numerator for GAR calculation (covered in the denominator)	196,518	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	160,448															
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	57,850															
Loans and advances	56,917															
of which loans collateralised by commercial immovable property	8,875															
of which building renovation loans	367															
Debt securities	516															
Equity instruments	417															
Non-EU country counterparties not subject to NFRD disclosure obligations	102,598															
Loans and advances	98,990															
Debt securities	3,112															
Equity instruments	497															
Derivatives	1,420															
On demand interbank loans	7,085															
Cash and cash-related assets	7,782															
Other assets (e.g. Goodwill, commodities etc.)	19,783															
Total GAR assets	**441,787**	**122,018**	**3,406**	**—**	**125**	**1,355**	**1,092**	**119**	**—**	**—**	**17**	**123,110**	**3,525**	**—**	**125**	**1,373**
Other assets not covered for GAR calculation	306,457															

Sovereigns	96,465															
Central banks exposure	68,488															
Trading book	141,505															
Total assets	748,244															
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																
Financial guarantees	18,782	1,554	1,034	—	32	275	116	2	—	—	—	1,671	1,036	—	32	275
Assets under management	179,338	1,441	595	—	33	287	48	19	—	—	15	1,489	614	—	33	302
Of which debt securities	53,240	640	244	—	25	76	16	10	—	—	10	656	254	—	25	85
Of which equity instruments	9,648	801	351	—	7	211	32	10	—	—	5	833	361	—	7	217

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2. Customers' economic activities are classified as eligible or aligned in accordance with the Delegated Acts supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council. Specifically, the economic activities covered by Delegated Regulations (EU) 2021/2139 on mitigation and adaptation to climate change have been taken into consideration.

3. Customers' economic activities are classified as eligible or aligned taking into account the modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, which includes economic activities in certain energy sectors, and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 establishing additional technical criteria.

4. The data includes the most significant BBVA Group entities that correspond to 96.5% of the total assets and represent in the best possible way the Group information required by current regulations. The financial assets analyzed correspond to the categories of financial instruments valued "At amortized cost", "Fair Value with Changes in Other Comprehensive Income (FVOCI)", "Fair Value with Changes in P&L" and "Non-negotiable at Fair Value with changes in result

5. NFRD counterparties are those subject to Directive 2014/95/EU (the Non-Financial Reporting Directive or NFRD), such as large listed companies, banks and insurance companies, with more than 500 employees. BBVA identifies NFRD counterparties mainly in two ways: i) review of the registered office in a country of the European Union and ii) more than 500 employees. In the event that the previous criterion is not met and if the client belongs to a business group, the same review is carried out at the parent company level.

6. Eligibility information for NFRD counterparties is obtained through an external reference provider in the sector, which obtains EU taxonomy KPI information directly from their corporate reports, EINF or equivalent. In the case of NFRD clients for whom the information has not been provided through the previous means, the information from their corporate reports is captured by BBVA or the client's main activity is analyzed to establish their eligibility.

7. Exposure to individuals includes self-employed workers, in which case the activity code (NACE) is reviewed to determine eligibility. The rest of the exposure corresponding to the individual segment is reviewed for the use of funds to be considered eligible, for example, in the case of housing loans. EU Taxonomy activity 7.7 Acquisition and ownership of buildings, EU Taxonomy activity 7.2 Renovation of independently existing buildings, or Cars: EUT 6.5 Transport by motorcycles, passenger cars and light commercial

8. While exposures to governments and central banks are excluded from the GAR calculation symmetrically, from the numerator and denominator, financing to small and medium-sized enterprises that do not fall within the scope of the NFRD or financing outside EU (even if they meet the taxonomy criteria requirements) cannot qualify as aligned with the taxonomy. Furthermore, activities not covered by the EU taxonomy will be excluded from the numerator, but not from the denominator of GAR.

GAR SECTOR INFORMATION - TURNOVER

Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
A.02.10 Silviculture and other forestry activities	1	—			—	—			1	1		
B.05.10 Mining of hard coal	—	—			—	—			—	—		
B.09.10 Support activities for petroleum and natural gas extraction	—	—			—	—			—	—		

C.16.29 Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	10	—			—	—			10	—		
C.17.11 Manufacture of pulp	—	—			—	—			—	—		
C.17.12 Manufacture of paper and paperboard	6	—			—	—			6	—		
C.17.21 Manufacture of corrugated paper and paperboard and of containers of paper and paperboard	—	—			—	—			—	—		
C.17.23 Manufacture of paper stationery	—	—			—	—			—	—		
C.17.29 Manufacture of other articles of paper and paperboard	—	—			—	—			—	—		
C.20.11 Manufacture of industrial gases	—	—			—	—			—	—		
C.20.13 Manufacture of other inorganic basic chemicals	11	2			1	1			12	2		
C.20.14 Manufacture of other organic basic chemicals	107	—			—	—			107	—		
C.20.15 Manufacture of fertilisers and nitrogen compounds	—	—			—	—			—	—		
C.20.16 Manufacture of plastics in primary forms	41	—			—	—			41	—		
C.20.52 Manufacture of glues	—	—			—	—			—	—		
C.22.11 Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres	—	—			—	—			—	—		
C.22.22 Manufacture of plastic packing goods	71	—			—	—			71	—		
C.22.29 Manufacture of other plastic products	6	—			—	—			6	—		
C.23.11 Manufacture of flat glass	1	—			—	—			1	—		
C.23.12 Shaping and processing of flat glass	—	—			—	—			—	—		
C.23.13 Manufacture of hollow glass	1	—			—	—			1	—		
C.23.14 Manufacture of glass fibres	4	—			—	—			4	—		
C.23.31 Manufacture of ceramic tiles and flags	6	—			—	—			6	—		
C.23.43 Manufacture of ceramic insulators and insulating fittings	10	4			1	1			11	5		
C.23.51 Manufacture of cement	111	—			—	—			111	—		
C.23.61 Manufacture of concrete products for construction purposes	—	—			—	—			—	—		

C.23.63 Manufacture of ready-mixed concrete	4	—			—	—			4	—		
C.23.64 Manufacture of mortars	1	—			—	—			1	—		
C.23.91 Production of abrasive products	1	—			—	—			1	—		
C.23.99 Manufacture of other non-metallic mineral products n.e.c.	—	—			—	—			—	—		
C.24.10 Manufacture of basic iron and steel and of ferro-alloys	141	99			45	45			185	143		
C.24.20 Manufacture of tubes, pipes, hollow profiles and related fittings, of steel	—	—			—	—			—	—		
C.24.32 Cold rolling of narrow strip	1	—			—	—			1	—		
C.24.42 Aluminium production	4	—			—	—			4	—		
C.24.51 Casting of iron	9	—			—	—			9	—		
C.24.52 Casting of steel	—	—			—	—			—	—		
C.25.11 Manufacture of metal structures and parts of structures	—	—			—	—			—	—		
C.25.12 Manufacture of doors and windows of metal	—	—			—	—			—	—		
C.25.50 Forging, pressing, stamping and roll-forming of metal; powder metallurgy	19	—			—	—			19	—		
C.25.72 Manufacture of locks and hinges	1	—			—	—			1	—		
C.25.73 Manufacture of tools	1	—			—	—			1	—		
C.25.92 Manufacture of light metal packaging	—	—			—	—			—	—		
C.25.99 Manufacture of other fabricated metal products n.e.c.	5	—			—	—			5	—		
C.26.11 Manufacture of electronic components	—	—			—	—			—	—		
C.26.30 Manufacture of communication equipment	3	—			—	—			3	—		
C.26.51 Manufacture of instruments and appliances for measuring, testing and navigation	—	—			—	—			—	—		
C.26.60 Manufacture of irradiation, electromedical and electrotherapeutic equipment	140	—			—	—			140	—		
C.27.11 Manufacture of electric motors, generators and transformers	149	9			—	—			149	9		
C.27.12 Manufacture of electricity distribution and control apparatus	—	—			—	—			—	—		

C.27.20 Manufacture of batteries and accumulators	2	1			—	—			2	1		
C.27.51 Manufacture of electric domestic appliances	—	—			—	—			—	—		
C.27.90 Manufacture of other electrical equipment	4	—			—	—			4	—		
C.28.11 Manufacture of engines and turbines, except aircraft, vehicle and cycle engines	13	—			—	—			13	—		
C.28.15 Manufacture of bearings, gears, gearing and driving elements	—	—			—	—			—	—		
C.28.22 Manufacture of lifting and handling equipment	3	—			—	—			3	—		
C.28.29 Manufacture of other general-purpose machinery n.e.c.	16	—			—	—			16	—		
C.28.91 Manufacture of machinery for metallurgy	6	—			—	—			6	—		
C.28.99 Manufacture of other special-purpose machinery n.e.c.	88	—			—	—			88	—		
C.29.10 Manufacture of motor vehicles	809	90			4	4			813	94		
C.29.31 Manufacture of electrical and electronic equipment for motor vehicles	—	—			—	—			—	—		
C.29.32 Manufacture of other parts and accessories for motor vehicles	72	—			—	—			72	—		
C.30.20 Manufacture of railway locomotives and rolling stock	36	36			36	36			71	71		
C.33.12 Repair of machinery	86	22			—	—			86	22		
C.33.17 Repair and maintenance of other transport equipment	—	—			—	—			—	—		
C.33.20 Installation of industrial machinery and equipment	—	—			—	—			—	—		
D.35.11 Production of electricity	1,119	333			27	19			1,146	352		
D.35.12 Transmission of electricity	432	338			—	—			432	338		
D.35.13 Distribution of electricity	28	9			—	—			28	9		
D.35.21 Manufacture of gas	5	—			—	—			5	—		
D.35.22 Distribution of gaseous fuels through mains	34	—			—	—			34	—		
D.35.30 Steam and air conditioning supply	10	4			—	—			10	4		
E.36.00 Water collection, treatment and supply	62	18			1	1			63	19		
E.37.00 Sewerage	38	17			2	2			40	19		

E.38.11 Collection of non-hazardous waste	10	6			—	—			10	6				
E.38.21 Treatment and disposal of non-hazardous waste	1	1			—	—			1	1				
E.38.32 Recovery of sorted materials	31	7			—	—			31	7				
F.41.10 Development of building projects	29	—			—	—			29	—				
F.41.20 Construction of residential and non-residential buildings	803	49			1	1			804	50				
F.42.11 Construction of roads and motorways	156	54			1	1			156	55				
F.42.12 Construction of railways and underground railways	259	155			—	—			259	155				
F.42.91 Construction of water projects	4	2			—	—			4	2				
F.42.99 Construction of other civil engineering projects n.e.c.	31	18			—	—			31	18				
F.43.21 Electrical installation	19	8			—	—			19	8				
F.43.22 Plumbing, heat and air conditioning installation	2	—			—	—			2	—				
F.43.29 Other construction installation	—	—			—	—			—	—				
F.43.32 Joinery installation	1	—			—	—			1	—				
F.43.99 Other specialised construction activities n.e.c.	2	—			—	—			2	—				
G.46.19 Agents involved in the sale of a variety of goods	—	—			—	—			—	—				
G.46.69 Wholesale of other machinery and equipment	—	—			—	—			—	—				
G.46.72 Wholesale of metals and metal ores	—	—			—	—			—	—				
G.46.90 Non-specialised wholesale trade	4	3			—	—			4	3				
G.47.19 Other retail sale in non-specialised stores	—	—			—	—			—	—				
H.49.10 Passenger rail transport, interurban	246	1			—	—			246	1				
H.49.20 Freight rail transport	—	—			—	—			—	—				
H.49.31 Urban and suburban passenger land transport	75	—			—	—			75	—				
H.49.32 Taxi operation	61	2			—	—			61	2				
H.49.39 Other passenger land transport n.e.c.	3	—			—	—			3	—				

H.49.41 Freight transport by road	80	—			—	—			80	—		
H.49.50 Transport via pipeline	—	—			—	—			—	—		
H.50.20 Sea and coastal freight water transport	7	7			—	—			7	7		
H.50.30 Inland passenger water transport	—	—			—	—			—	—		
H.51.10 Passenger air transport	—	—			—	—			—	—		
H.51.21 Freight air transport	—	—			—	—			—	—		
H.52.21 Service activities incidental to land transportation	7	—			—	—			7	—		
H.52.22 Service activities incidental to water transportation	—	—			—	—			—	—		
H.52.23 Service activities incidental to air transportation	—	—			—	—			—	—		
H.52.24 Cargo handling	—	—			—	—			—	—		
H.52.29 Other transportation support activities	72	54			—	—			72	54		
H.53.20 Other postal and courier activities	24	—			—	—			24	—		
I.55.10 Hotels and similar accommodation	—	—			—	—			—	—		
J.59.11 Motion picture, video and television programme production activities	—	—			37	—			37	—		
J.60.20 Television programming and broadcasting activities	—	—			8	1			8	1		
J.61.90 Other telecommunications activities	—	—			8	8			8	8		
J.62.01 Computer programming activities	—	—			—	—			—	—		
J.62.02 Computer consultancy activities	124	—			—	—			124	—		
J.62.09 Other information technology and computer service activities	61	23			2	2			63	25		
J.63.11 Data processing, hosting and related activities	98	—			—	—			98	—		
K.64.99 Other financial service activities, except insurance and pension funding n.e.c.	1	—			—	—			1	—		
K.65.12 Non-life insurance	—	—			—	—			—	—		
L.68.10 Buying and selling of own real estate	228	101			—	—			228	101		

L.68.20 Renting and operating of own or leased real estate	—	—			—	—			—	—		
M.70.22 Business and other management consultancy activities	—	—			—	—			—	—		
M.71.11 Architectural activities	—	—			—	—			—	—		
M.71.12 Engineering activities and related technical consultancy	88	14			—	—			88	14		
M.71.20 Technical testing and analysis	—	—			—	—			—	—		
M.72.11 Research and experimental development on biotechnology	—	—			—	—			—	—		
M.72.19 Other research and experimental development on natural sciences and engineering	—	—			—	—			—	—		
M.74.90 Other professional, scientific and technical activities n.e.c.	—	—			57	—			57	—		
N.77.11 Renting and leasing of cars and light motor vehicles	62	2			—	—			62	2		
N.77.12 Renting and leasing of trucks	—	—			—	—			—	—		
N.77.39 Renting and leasing of other machinery, equipment and tangible goods n.e.c.	2	—			—	—			2	—		
N.79.11 Travel agency activities	—	—			—	—			—	—		
N.80.20 Security systems service activities	—	—			129	—			129	—		
N.81.21 General cleaning of buildings	—	—			—	—			—	—		
N.81.29 Other cleaning activities	—	—			—	—			—	—		
N.82.99 Other business support service activities n.e.c.	—	—			—	—			—	—		
O.84.11 General public administration activities	—	—			105	—			105	—		
P.85.20 Primary education	—	—			—	—			—	—		
P.85.59 Other education n.e.c.	—	—			—	—			—	—		
Q.86.10 Hospital activities	—	—			10	—			10	—		
Q.86.90 Other human health activities	—	—			5	—			5	—		
Q.87.10 Residential nursing care activities	—	—			3	—			3	—		
Q.87.20 Residential care activities for mental retardation, mental health and substance abuse	—	—			1	—			1	—		

Q.87.30 Residential care activities for the elderly and disabled	—	—			3	—			3	—		
Q.87.90 Other residential care activities	—	—			13	—			13	—		
R.90.03 Artistic creation	—	—			2	—			2	—		
R.91.04 Botanical and zoological gardens and nature reserves activities	—	—			—	—			—	—		

1. Exposures of the banking book to sectors covered (eligible) by the taxonomy (NACE sectors at the fourth level of detail), using the relevant NACE codes according to the economic activities of the counterparty.

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GAR SECTOR INFORMATION - CAPEX

Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
A.02.10 Silviculture and other forestry activities	19	19			11	11			30	30		
B.05.10 Mining of hard coal	—	—			—	—			—	—		
B.06.10 Extraction of crude oil and natural gas	—	—			—	—			—	—		
B.09.10 Support activities for petroleum and natural gas extraction	—	—			—	—			—	—		
C.11.01 Distilling, rectifying and blending of spirits	—	—			—	—			—	—		
C.11.02 Manufacture of wine from grape	2	—			—	—			2	—		

C.11.07 Manufacture of non-alcoholic beverages; production of mineral waters and other bottled waters	—	—			—	—			—	—		
C.16.29 Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	10	—			—	—			10	—		
C.17.11 Manufacture of pulp	—	—			—	—			—	—		
C.17.12 Manufacture of paper and paperboard	6	—			—	—			6	—		
C.17.21 Manufacture of corrugated paper and paperboard and of containers of paper and paperboard	—	—			—	—			—	—		
C.17.23 Manufacture of paper stationery	—	—			—	—			—	—		
C.17.29 Manufacture of other articles of paper and paperboard	—	—			—	—			—	—		
C.19.20 Manufacture of refined petroleum products	—	—			—	—			—	—		
C.20.11 Manufacture of industrial gases	—	—			—	—			—	—		
C.20.13 Manufacture of other inorganic basic chemicals	8	3			1	1			10	4		
C.20.14 Manufacture of other organic basic chemicals	136	1			—	—			136	1		
C.20.15 Manufacture of fertilisers and nitrogen compounds	—	—			—	—			—	—		
C.20.16 Manufacture of plastics in primary forms	19	2			—	—			19	2		
C.20.52 Manufacture of glues	—	—			—	—			—	—		
C.22.11 Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres	—	—			—	—			—	—		
C.22.22 Manufacture of plastic packing goods	71	—			—	—			71	—		
C.22.29 Manufacture of other plastic products	6	—			—	—			6	—		
C.23.11 Manufacture of flat glass	1	—			—	—			1	—		
C.23.12 Shaping and processing of flat glass	—	—			—	—			—	—		
C.23.13 Manufacture of hollow glass	1	—			—	—			1	—		
C.23.14 Manufacture of glass fibres	4	—			—	—			4	—		
C.23.31 Manufacture of ceramic tiles and flags	6	—			—	—			6	—		
C.23.43 Manufacture of ceramic insulators and insulating fittings	7	2			1	1			8	3		
C.23.51 Manufacture of cement	—	—			—	—			106	—		

C.23.61 Manufacture of concrete products for construction purposes	—	—			—	—			—	—		
C.23.63 Manufacture of ready-mixed concrete	—	—			—	—			4	—		
C.23.64 Manufacture of mortars	—	—			—	—			1	—		
C.23.91 Production of abrasive products	—	—			—	—			1	—		
C.23.99 Manufacture of other non-metallic mineral products n.e.c.	—	—			—	—			—	—		
C.24.10 Manufacture of basic iron and steel and of ferro-alloys	—	—			45	45			163	128		
C.24.20 Manufacture of tubes, pipes, hollow profiles and related fittings, of steel	—	—			—	—			—	—		
C.24.32 Cold rolling of narrow strip	—	—			—	—			1	—		
C.24.42 Aluminium production	—	—			—	—			4	—		
C.24.51 Casting of iron	—	—			—	—			9	—		
C.24.52 Casting of steel	—	—			—	—			—	—		
C.25.11 Manufacture of metal structures and parts of structures	—	—			—	—			—	—		
C.25.12 Manufacture of doors and windows of metal	—	—			—	—			—	—		
C.25.50 Forging, pressing, stamping and roll-forming of metal; powder metallurgy	—	—			—	—			19	—		
C.25.72 Manufacture of locks and hinges	—	—			—	—			1	—		
C.25.73 Manufacture of tools	—	—			—	—			1	—		
C.25.92 Manufacture of light metal packaging	—	—			—	—			—	—		
C.25.99 Manufacture of other fabricated metal products n.e.c.	—	—			—	—			5	—		
C.26.11 Manufacture of electronic components	—	—			—	—			—	—		
C.26.30 Manufacture of communication equipment	—	—			—	—			3	—		
C.26.51 Manufacture of instruments and appliances for measuring, testing and navigation	—	—			—	—			—	—		
C.26.60 Manufacture of irradiation, electromedical and electrotherapeutic equipment	—	—			—	—			140	—		
C.27.11 Manufacture of electric motors, generators and transformers	—	—			2	2			171	31		
C.27.12 Manufacture of electricity distribution and control apparatus	—	—			—	—			—	—		
C.27.20 Manufacture of batteries and accumulators	—	—			—	—			6	3		

C.27.32 Manufacturing of cables and wiring devices	—	—			—	—			—	—		
C.27.51 Manufacture of electric domestic appliances	—	—			—	—			—	—		
C.27.90 Manufacture of other electrical equipment	—	—			—	—			4	—		
C.28.11 Manufacture of engines and turbines, except aircraft, vehicle and cycle engines	—	—			—	—			13	—		
C.28.15 Manufacture of bearings, gears, gearing and driving elements	—	—			—	—			—	—		
C.28.22 Manufacture of lifting and handling equipment	—	—			—	—			3	—		
C.28.29 Manufacture of other general-purpose machinery n.e.c.	—	—			—	—			30	—		
C.28.91 Manufacture of machinery for metallurgy	—	—			—	—			6	—		
C.28.99 Manufacture of other special-purpose machinery n.e.c.	—	—			—	—			88	—		
C.29.10 Manufacture of motor vehicles	—	—			12	12			595	160		
C.29.31 Manufacture of electrical and electronic equipment for motor vehicles	—	—			—	—			—	—		
C.29.32 Manufacture of other parts and accessories for motor vehicles	—	—			—	—			72	—		
C.30.20 Manufacture of railway locomotives and rolling stock	—	—			36	32			71	64		
C.33.12 Repair of machinery	—	—			—	—			122	21		
C.33.17 Repair and maintenance of other transport equipment	—	—			—	—			—	—		
C.33.20 Installation of industrial machinery and equipment	—	—			—	—			—	—		
D.35.11 Production of electricity	—	—			10	8			2,100	1,509		
D.35.12 Transmission of electricity	—	—			—	—			546	504		
D.35.13 Distribution of electricity	—	—			—	—			14	1		
D.35.21 Manufacture of gas	—	—			—	—			24	19		
D.35.22 Distribution of gaseous fuels through mains	—	—			—	—			35	11		
D.35.23 Trade of gas through mains	—	—			—	—			—	—		
D.35.30 Steam and air conditioning supply	—	—			—	—			10	7		
E.36.00 Water collection, treatment and supply	—	—			2	2			39	11		
E.37.00 Sewerage	—	—			3	3			18	14		
E.38.11 Collection of non-hazardous waste	—	—			—	—			4	3		

E.38.21 Treatment and disposal of non-hazardous waste	—	—			—	—			7	7		
E.38.32 Recovery of sorted materials	—	—			—	—			27	7		
E.39.00 Remediation activities and other waste management services	—	—			—	—			—	—		
F.41.10 Development of building projects	—	—			—	—			29	—		
F.41.20 Construction of residential and non-residential buildings	—	—			—	—			488	16		
F.42.11 Construction of roads and motorways	—	—			—	—			146	36		
F.42.12 Construction of railways and underground railways	—	—			—	—			96	25		
F.42.22 Construction of utility projects for electricity and telecommunications	—	—			—	—			1	1		
F.42.91 Construction of water projects	—	—			—	—			2	—		
F.42.99 Construction of other civil engineering projects n.e.c.	—	—			—	—			25	18		
F.43.12 Site preparation	—	—			—	—			14	3		
F.43.21 Electrical installation	—	—			—	—			47	34		
F.43.22 Plumbing, heat and air conditioning installation	—	—			—	—			1	—		
F.43.29 Other construction installation	—	—			—	—			—	—		
F.43.32 Joinery installation	—	—			—	—			1	—		
F.43.99 Other specialised construction activities n.e.c.	—	—			—	—			1	—		
G.45.31 Trade in spare parts and accessories for motor vehicles	—	—			—	—			—	—		
G.46.19 Agents involved in the sale of a variety of goods	—	—			—	—			—	—		
G.46.31 Wholesale of fruit and vegetables	—	—			—	—			—	—		
G.46.34 Wholesale of beverages	—	—			—	—			1	—		
G.46.39 Wholesale trade of food, beverages and tobacco products	—	—			—	—			2	—		
G.46.69 Wholesale of other machinery and equipment	—	—			—	—			—	—		
G.46.71 Wholesale trade of solid, liquid and gaseous fuels, and similar products	—	—			—	—			—	—		
G.46.72 Wholesale of metals and metal ores	—	—			—	—			—	—		
G.46.76 Wholesale of other intermediate products	—	—			—	—			—	—		
G.46.90 Non-specialised wholesale trade	—	—			—	—			—	—		
G.47.19 Other retail sale in non-specialised stores	—	—			—	—			3	—		

G.47.52 Retail trade of hardware, paint and glass in specialized establishments	—	—			—	—			—	—		
H.49.10 Passenger rail transport, interurban	—	—			—	—			237	2		
H.49.20 Freight rail transport	—	—			—	—			—	—		
H.49.31 Urban and suburban passenger land transport	—	—			—	—			77	—		
H.49.32 Taxi operation	—	—			—	—			148	14		
H.49.39 Other passenger land transport n.e.c.	—	—			—	—			3	—		
H.49.41 Freight transport by road	—	—			—	—			161	1		
H.49.50 Transport via pipeline	—	—			—	—			1	1		
H.50.20 Sea and coastal freight water transport	—	—			—	—			7	7		
H.50.30 Inland passenger water transport	—	—			—	—			—	—		
H.51.10 Passenger air transport	—	—			—	—			—	—		
H.51.21 Freight air transport	—	—			—	—			—	—		
H.52.21 Service activities incidental to land transportation	—	—			—	—			7	—		
H.52.22 Service activities incidental to water transportation	—	—			—	—			3	—		
H.52.23 Service activities incidental to air transportation	—	—			—	—			—	—		
H.52.24 Cargo handling	—	—			—	—			—	—		
H.52.29 Other transportation support activities	—	—			—	—			94	13		
H.53.20 Other postal and courier activities	—	—			—	—			24	—		
I.55.10 Hotels and similar accommodation	—	—			—	—			—	—		
I.56.10 Food and beverage services	—	—			—	—			—	—		
I.56.21 Event catering activities	—	—			—	—			1	—		
I.56.29 Other food service activities	—	—			—	—			—	—		
J.59.11 Motion picture, video and television programme production activities	—	—			9	—			9	—		
J.60.20 Television programming and broadcasting activities	—	—			22	—			22	—		
J.62.01 Computer programming activities	—	—			—	—			—	—		
J.62.02 Computer consultancy activities	—	—			—	—			124	—		
J.62.09 Other information technology and computer service activities	—	—			1	1			51	13		
J.63.11 Data processing, hosting and related activities	—	—			—	—			42	—		
K.64.99 Other financial service activities, except insurance and pension funding n.e.c.	—	—			—	—			—	—		
K.65.12 Non-life insurance	—	—			—	—			—	—		

L.68.10 Buying and selling of own real estate	—	—			—	—			508	81		
L.68.20 Renting and operating of own or leased real estate	—	—			—	—			—	—		
M.71.11 Architectural technical services	—	—			—	—			—	—		
M.71.12 Engineering activities and related technical consultancy	—	—			—	—			98	24		
M.71.20 Technical testing and analysis	—	—			—	—			—	—		
M.72.11 Research and experimental development on biotechnology	—	—			—	—			—	—		
M.72.19 Other research and experimental development on natural sciences and engineering	—	—			—	—			—	—		
M.74.90 Other professional, scientific and technical activities n.e.c.	—	—			57	—			57	—		
N.77.11 Renting and leasing of cars and light motor vehicles	—	—			—	—			61	1		
N.77.12 Renting and leasing of trucks	—	—			—	—			—	—		
N.77.39 Renting and leasing of other machinery, equipment and tangible goods n.e.c.	2	—			—	—			2	—		
N.79.11 Travel agency activities	—	—			—	—			—	—		
N.80.20 Security systems service activities	—	—			129	—			129	—		
N.81.10 Combined facilities support activities	—	—			—	—			—	—		
N.81.21 General cleaning of buildings	—	—			—	—			—	—		
N.81.29 Other cleaning activities	—	—			—	—			—	—		
N.82.91 Activities of collection and commercial information agencies	—	—			—	—			—	—		
N.82.99 Other business support service activities n.e.c.	—	—			—	—			—	—		
O.84.11 General public administration activities	—	—			105	—			105	—		
P.85.20 Primary education	—	—			—	—			—	—		
P.85.59 Other education n.e.c.	—	—			—	—			—	—		
Q.86.10 Hospital activities	—	—			10	—			10	—		
Q.86.90 Other human health activities	—	—			5	—			5	—		
Q.87.10 Residential nursing care activities	—	—			42	—			42	—		
Q.87.20 Residential care activities for mental retardation, mental health and substance abuse	—	—			1	—			1	—		
Q.87.30 Residential care activities for the elderly and disabled	—	—			3	—			3	—		

Q.87.90 Other residential care activities	—	—			13	—			13	—		
R.90.03 Artistic creation	—	—			—	—			—	—		

1. Exposures of the banking book to sectors covered (eligible) by the taxonomy (NACE sectors at the fourth level of detail), using the relevant NACE codes according to the economic activities of the counterparty.

2. The present information has been prepared in accordance with Commission Delegated Regulation (EU) 2021/2178, of July 6, 2021, which supplements Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and the presentation of information on environmentally sustainable economic activities

3. Customers' economic activities are classified as eligible or aligned in accordance with the Delegated Acts supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council. Specifically, the economic activities covered by Delegated Regulations (EU) 2021/2139 on mitigation and adaptation to climate change have been taken into consideration.

4. Customers' economic activities are classified as eligible or aligned taking into account the modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, which includes economic activities in certain energy sectors, and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 establishing additional technical criteria.

5. The data includes the most significant BBVA Group entities that correspond to 96.5% of the total assets and represent in the best possible way the Group information required by current regulations.The financial assets analyzed correspond to the categories of financial instruments valued “At amortized cost”, “Fair Value with Changes in Other Comprehensive Income (FVOCI)”, “Fair Value with Changes in P&L” and “Non-negotiable at Fair Value with changes in result

6. NFRD counterparties are those subject to Directive 2014/95/EU (the Non-Financial Reporting Directive or NFRD), such as large listed companies, banks and insurance companies, with more than 500 employees. BBVA identifies NFRD counterparties mainly in two ways: i) review of the registered office in a country of the European Union and ii) more than 500 employees. In the event that the previous criterion is not met and if the client belongs to a business group, the same review is carried out at the parent company level.

7. Eligibility information for NFRD counterparties is obtained through an external reference provider in the sector, which obtains EU taxonomy KPI information directly from their corporate reports, EINF or equivalent. In the case of NFRD clients for whom the information has not been provided through the previous means, the information from their corporate reports is captured by BBVA or the client's main activity is analyzed to establish their eligibility.

8. While exposures to governments and central banks are excluded from the GAR calculation symmetrically, from the numerator and denominator, financing to small and medium-sized enterprises that do not fall within the scope of the NFRD or financing outside EU (even if they meet the taxonomy criteria requirements) cannot qualify as aligned with the taxonomy. Furthermore, activities not covered by the EU taxonomy will be excluded from the numerator, but not from the denominator of GAR.

GAR KPI STOCK - TURNOVER

% (compared to total covered assets in the denominator)	Disclosure reference date T															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	49.39	0.89	—	0.05	0.32	0.43	0.05	—	—	—	49.82	0.94	—	0.05	0.33	32.78
Financial corporations	10.27	—	—	—	—	1.39	—	—	—	—	11.66	—	—	—	—	5.41
Credit institutions	11.25	—	—	—	—	1.84	—	—	—	—	13.09	—	—	—	—	2.68
Loans and advances	9.79	—	—	—	—	0.93	—	—	—	—	10.72	—	—	—	—	2.22
Debt securities, including UoP	18.44	—	—	—	—	6.31	—	—	—	—	24.75	—	—	—	—	0.45
Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
Other financial corporations	9.30	—	—	—	—	0.94	—	—	—	—	10.25	—	—	—	—	2.73
of which investment firms	28.39	—	—	—	—	0.20	—	—	—	—	28.59	—	—	—	—	0.14
Loans and advances	30.31	—	—	—	—	0.21	—	—	—	—	30.52	—	—	—	—	0.13
Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.01
Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
of which management companies	3.95	—	—	—	—	—	—	—	—	—	3.95	—	—	—	—	0.06

Loans and advances	5.15	—	—	—	—	—	—	—	—	—	5.15	—	—	—	—	0.05
Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	0.01
of which insurance undertakings	1.05	—	—	—	—	1.72	—	—	—	—	2.78	—	—	—	—	0.27
Loans and advances	2.89	—	—	—	—	0.03	—	—	—	—	2.92	—	—	—	—	0.10
Debt securities, including UoP	—	—	—	—	—	100.00	—	—	—	—	100.00	—	—	—	—	—
Equity instruments	—	—	—		—	2.34	—	—		—	2.34	—	—		—	0.17
Non-financial corporations	28.23	6.65	—	0.54	3.52	2.23	0.54	—	—	0.04	30.46	7.20	—	0.54	3.56	2.99
NFCs subject to NFRD disclosure obligations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances	30.93	7.12	—	0.58	3.72	2.40	0.60	—	—	0.04	33.32	7.72	—	0.58	3.76	2.64
Debt securities, including UoP	10.33	5.28	—	0.44	3.02	0.24	0.20	—	—	0.13	10.57	5.49	—	0.44	3.15	0.17
Equity instruments	5.51	1.14	—		1.05	1.69	—	—		—	7.20	1.14	—		1.05	0.18
Households	61.89	0.39	—	—	—	—	—	—	—	—	61.89	0.39	—	—	—	23.69
of which loans collateralised by residential immovable property	100.00	0.72	—	—	—	—	—	—	—	—	100.00	0.72	—	—	—	12.86
of which building renovation loans	100.00	—	—	—	—	—	—	—	—	—	100.00	—	—	—	—	0.60
of which motor vehicle loans	100.00	—	—	—	—	—	—	—	—	—	100.00		—	—	—	1.21
Local governments financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.56
Collateral obtained by taking possession: residential and commercial immovable properties	100.00	0.06	—	—	—	—	—	—	—	—	100.00	0.06	—	—	—	0.12
Other local government financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.56
Total GAR assets	**27.42**	**0.49**	**—**	**0.03**	**0.18**	**0.24**	**0.03**	**—**	**—**	**—**	**27.66**	**0.52**	**—**	**0.03**	**0.18**	**59.04**

1. The present information has been prepared in accordance with Commission Delegated Regulation (EU) 2021/2178, of July 6, 2021, which supplements Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and the presentation of information on environmentally sustainable economic activities

2. Customers' economic activities are classified as eligible or aligned in accordance with the Delegated Acts supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council. Specifically, the economic activities covered by Delegated Regulations (EU) 2021/2139 on mitigation and adaptation to climate change have been taken into consideration.

3. Clients' economic activities are classified as eligible or aligned taking into account the modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, which includes economic activities in certain energy sectors, and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 establishing additional technical criteria.

4. The data includes the most significant BBVA Group entities that correspond to 96.5% of the total assets and represent in the best possible way the Group information required by current regulations. The financial assets analyzed correspond to the categories of financial instruments valued "At amortized cost", "Fair Value with Changes in Other Comprehensive Income (FVOCI)", "Fair Value with Changes in P&L" and "Non-negotiable at Fair Value with changes in result

5. NFRD counterparties are those subject to Directive 2014/95/EU (the Non-Financial Reporting Directive or NFRD), such as large listed companies, banks and insurance companies, with more than 500 employees. BBVA identifies NFRD counterparties mainly in two ways: i) review of the registered office in a country of the European Union and ii) more than 500 employees. In the event that the previous criterion is not met and if the client belongs to a business group, the same review is carried out at the parent company level.

6. Eligibility information for NFRD counterparties is obtained through an external reference provider in the sector, which obtains EU taxonomy KPI information directly from their corporate reports, EINF or equivalent. In the case of NFRD clients for whom the information has not been provided through the previous means, the information from their corporate reports is captured by BBVA or the client's main activity is analyzed to establish their eligibility.

7. Exposure to individuals includes self-employed workers, in which case the activity code (NACE) is reviewed to determine eligibility. The rest of the exposure corresponding to the individual segment is reviewed for the use of funds to be considered eligible, for example, in the case of housing loans. EU Taxonomy activity 7.7 Acquisition and ownership of buildings, EU Taxonomy activity 7.2 Renovation of independently existing buildings, or Cars: EUT 6.5 Transport by motorcycles, passenger cars and light commercial vehicles)

8. While exposures to governments and central banks are excluded from the GAR calculation symmetrically, from the numerator and denominator, financing to small and medium-sized enterprises that do not fall within the scope of the NFRD or financing outside EU (even if they meet the taxonomy criteria requirements) cannot qualify as aligned with the taxonomy. Furthermore, activities not covered by the EU taxonomy will be excluded from the numerator, but not from the denominator of GAR.

GAR KPI STOCK - CAPEX

% (compared to total covered assets in the denominator)	Disclosure reference date T															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	49.75	1.39	—	0.05	0.55	0.45	0.05	—	—	0.01	50.19	1.44	—	0.05	0.56	32.78
Financial corporations	10.38	—	—	—	—	1.42	—	—	—	—	11.80	—	—	—	—	5.41
Credit institutions	10.93	—	—	—	—	1.84	—	—	—	—	12.78	—	—	—	—	2.68
Loans and advances	9.58	—	—	—	—	0.93	—	—	—	—	10.51	—	—	—	—	2.22
Debt securities, including UoP	17.58	—	—	—	—	6.31	—	—	—	—	23.89	—	—	—	—	0.45
Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
Other financial corporations	9.83	—	—	—	—	1.00	—	—	—	—	10.83	—	—	—	—	2.73
of which investment firms	25.05	—	—	—	—	1.04	—	—	—	—	26.09	—	—	—	—	0.14
Loans and advances	26.74	—	—	—	—	1.11	—	—	—	—	27.85	—	—	—	—	0.13
Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.01
Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	—
of which management companies	3.96	—	—	—	—	—	—	—	—	—	3.96	—	—	—	—	0.06
Loans and advances	5.15	—	—	—	—	—	—	—	—	—	5.15	—	—	—	—	0.05
Debt securities, including UoP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—		—	—	—	—		—	—	—	—		—	0.01
of which insurance undertakings	0.50	—	—	—	—	1.72	—	—	—	—	2.22	—	—	—	—	0.27
Loans and advances	1.36	—	—	—	—	0.03	—	—	—	—	1.39	—	—	—	—	0.10
Debt securities, including UoP	—	—	—	—	—	100.00	—	—	—	—	100.00	—	—	—	—	—
Equity instruments	—	—	—		—	2.34	—	—		—	2.34	—	—		—	0.17
Non-financial corporations	31.97	12.13	—	0.56	6.05	2.32	0.53	—	—	0.08	34.29	12.66	—	0.56	6.13	2.99
NFCs subject to NFRD disclosure obligations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loans and advances	34.43	12.46	—	0.58	6.49	2.53	0.59	—	—	0.07	36.96	13.05	—	0.58	6.56	2.64
Debt securities, including UoP	24.53	18.20	—	0.83	4.62	0.31	0.26	—	—	0.26	24.84	18.46	—	0.83	4.88	0.17
Equity instruments	2.77	1.56	—		0.98	1.10	—	—		—	3.87	1.57	—		0.98	0.18
Households	61.89	0.39	—	—	—	—	—	—	—	—	61.89	0.39	—	—	—	23.69
of which loans collateralised by residential immovable property	100.00	0.72	—	—	—	—	—	—	—	—	100.00	0.72	—	—	—	12.86
of which building renovation loans	100.00	—	—	—	—	—	—	—	—	—	100.00	—	—	—	—	0.60
of which motor vehicle loans	100.00	—	—	—	—	—	—	—	—	—	100.00		—	—	—	1.21
Local governments financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.56

Collateral obtained by taking possession: residential and commercial immovable properties	100.00	0.06	—	—	—	—	—	—	—	—	100.00	0.06	—	—	—	0.12
Other local government financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.56
Total GAR assets	**27.62**	**0.77**	**—**	**0.03**	**0.31**	**0.25**	**0.03**	**—**	**—**	**—**	**27.87**	**0.80**	**—**	**0.03**	**0.31**	**59.04**

1. The present information has been prepared in accordance with Commission Delegated Regulation (EU) 2021/2178, of July 6, 2021, which supplements Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and the presentation of information on environmentally sustainable economic activities

2. Customers' economic activities are classified as eligible or aligned in accordance with the Delegated Acts supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council. Specifically, the economic activities covered by Delegated Regulations (EU) 2021/2139 on mitigation and adaptation to climate change have been taken into consideration.

3. Clients' economic activities are classified as eligible or aligned taking into account the modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, which includes economic activities in certain energy sectors, and Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 establishing additional technical criteria.

4. The data includes the most significant BBVA Group entities that correspond to 96.5% of the total assets and represent in the best possible way the Group information required by current regulations. The financial assets analyzed correspond to the categories of financial instruments valued “At amortized cost”, “Fair Value with Changes in Other Comprehensive Income (FVOCI)”, “Fair Value with Changes in P&L” and “Non-negotiable at Fair Value with changes in result

5. NFRD counterparties are those subject to Directive 2014/95/EU (the Non-Financial Reporting Directive or NFRD), such as large listed companies, banks and insurance companies, with more than 500 employees. BBVA identifies NFRD counterparties mainly in two ways: i) review of the registered office in a country of the European Union and ii) more than 500 employees. In the event that the previous criterion is not met and if the client belongs to a business group, the same review is carried out at the parent company level.

6. Eligibility information for NFRD counterparties is obtained through an external reference provider in the sector, which obtains EU taxonomy KPI information directly from their corporate reports, EINF or equivalent. In the case of NFRD clients for whom the information has not been provided through the previous means, the information from their corporate reports is captured by BBVA or the client's main activity is analyzed to establish their eligibility.

7. Exposure to individuals includes self-employed workers, in which case the activity code (NACE) is reviewed to determine eligibility. The rest of the exposure corresponding to the individual segment is reviewed for the use of funds to be considered eligible, for example, in the case of housing loans. EU Taxonomy activity 7.7 Acquisition and ownership of buildings, EU Taxonomy activity 7.2 Renovation of independently existing buildings, or Cars: EUT 6.5 Transport by motorcycles, passenger cars and light commercial vehicles)

8. While exposures to governments and central banks are excluded from the GAR calculation symmetrically, from the numerator and denominator, financing to small and medium-sized enterprises that do not fall within the scope of the NFRD or financing outside EU (even if they meet the taxonomy criteria requirements) cannot qualify as aligned with the taxonomy. Furthermore, activities not covered by the EU taxonomy will be excluded from the numerator, but not from the denominator of GAR.

KPI OFF-BALANCE SHEET EXPOSURES - TURNOVER

% (compared to total eligible off-balance sheet assets)	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling	
Financial guarantees (FinGuar KPI)	5.18	2.01	—	0.09	1.01	0.59	0.01	—	—	5.77	2.02	—	0.09	1.01	
Assets under management (AuM KPI)	0.55	0.15	—	0.01	0.09	0.02	0.01	—	—	0.57	0.16	—	0.01	0.09	

1. Off-balance sheet exposures (financial guarantees and AuM) calculated based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template

KPI OFF-BALANCE SHEET EXPOSURES - CAPEX

% (compared to total eligible off-balance sheet assets)	Disclosure reference date T													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling
Financial guarantees (FinGuar KPI)	8.28	5.50	—	0.17	1.46	0.62	0.01	—	—	8.90	5.51	—	0.17	1.47
Assets under management (AuM KPI)	0.80	0.33	—	0.02	0.16	0.03	0.01	—	0.01	0.83	0.34	—	0.02	0.17

1. Off-balance sheet exposures (financial guarantees and AuM) calculated based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template

NUCLEAR AND FOSSIL GAS RELATED ACTIVITIES

Nuclear energy related activities	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (DENOMINATOR) - TURNOVER						
	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
Economic Activities	**CCM+CCA**		**Climate Change mitigation (CCM)**		**Climate change Adaption (CCA)**	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	10	—	10	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	—	—	—	2	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	2,290	0.52	2,170	0.49	120	0.03
Total applicable KPI	**441,787**	**0.52**	**441,787**	**0.49**	**441,787**	**0.03**

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (DENOMINATOR) - CAPEX						
	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
Economic Activities	CCM+CCA		Climate Change mitigation (CCM)		Climate change Adaption (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	—	1	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	9	—	9	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	2,290	0.80	3,396	0.77	119	0.03
Total applicable KPI	**441,787**	**0.80**	**441,787**	**0.77**	**441,787**	**0.03**

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (NUMERATOR) - TURNOVER						
	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
Economic Activities	**CCM+CCA**		**Climate Change mitigation (CCM)**		**Climate change Adaption (CCA)**	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	10	—	10	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2	—	—	—	2	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	2,290	99.00	2,170	94.00	120	5.00
Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	**2,302**	**100.00**	**2,180**	**95.00**	**122**	**5.00**

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (NUMERATOR) - CAPEX

	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
Economic Activities	**CCM+CCA**		**Climate Change mitigation (CCM)**		**Climate change Adaption (CCA)**	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1	—	1	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	9	—	9	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	3,515	100.00	3,396	96.00	119	3.00
Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	**3,525**	**100.00**	**3,406**	**97.00**	**119**	**3.00**

TAXONOMY-ELIGIBLE BUT NOT TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - TURNOVER						
	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
Economic Activities	**CCM+CCA**		**Climate Change mitigation (CCM)**		**Climate change Adaption (CCA)**	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	171	—	171	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	15	—	15	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	119,710	27.00	118,770	27.00	940	—
Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI	**119,896**	**27.00**	**118,956**	**27.00**	**940**	**—**

TAXONOMY-ELIGIBLE BUT NOT TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - CAPEX

Economic Activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
	CCM+CCA		Climate Change mitigation (CCM)		Climate change Adaption (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	34	—	34	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	5	—	5	—	—	—
Amount and proportion of taxonomy- aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—	—	—	—	—
Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	119,546	27.00	118,573	27.00	973	—
Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI	**119,585**	**27.00**	**118,612**	**27.00**	**973**	**—**

TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES - TURNOVER		
Economic Activities	**Amount**	**%**
Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	319,589	72.00
Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	**319,589**	**72.00**

TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES - CAPEX		
Economic Activities	**Amount**	**%**
Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	—	—
Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	318,677	72.00
Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	**318,677**	**72.00**

6. Subsequent events

On January 18, 2024, a press release from the Constitutional Court of Spain was published announcing the unanimous decision of the Plenary Session of this jurisdictional body declaring unconstitutional certain measures related to Corporate Income Tax introduced by the Royal Decree-Law 3/2016. On January 29, 2024, this ruling was published on the website of the Constitutional Court, although the publication in the Official State Gazette (BOE), as of the date of preparation of these Consolidated Annual Financial Statements remains pending.

The effects of this ruling will depend on the resolution of each of the claims filed in relation to the affected financial years, so the calculation of its impact, both with regard to the quantification of the magnitudes affected, as well as regarding their timing, will depend on said execution process. It is expected that the impacts of the different execution processes could have a positive aggregate impact on the Group's total equity, allowing an acceleration in the use of tax credits and a possible recovery of cash from taxes paid in previous years, all subject to the decisions that, with respect to each financial year and as part of the execution process, the Group may adopt in this regard and without, in any case, said impact expected to exceed approximately 0.4% of the Group's total equity in the aggregate.

On January 30, 2024, it was announced that a cash distribution in the amount of €0.39 gross per share to be paid in April as a final dividend for the year 2023 and the execution of a share buyback program of BBVA for an amount of €781 million were planned to be proposed to the corresponding corporate bodies for consideration as ordinary remuneration to shareholders for 2023, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution.

From January 1, 2024 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.

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 2023, 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 2023, 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, 2023

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND SUBSIDIARIES

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working world

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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 Consolidated Non-Financial Information Statement (hereinafter, NFS) for the year ended December 31, 2023 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 2023.

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 the table of section 2.5.1 "Index of contents of Law 11/2018" and in the table of section 2.5.4 "Index of contents of the UNEP-FI Principles of Responsible Banking" with regard to principles 2.1, 2.2, 2.3 and 5.1 identified in this table, both included in the accompanying consolidated Management Report.

Responsibility of the Board of Directors

The preparation of the NFS included in the consolidated Management Report of the Group 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 the tables of section 2.5.1 "Index of contents of Law 11/2018" and in section 2.5.4 "Index of contents of the UNEP-FI Principles of Responsible Banking" of the aforementioned accompanying 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 the International Standard on Quality Management (ISQM) No. 1, which requires the firm to design, implement, and operate a quality management system that includes policies and procedures relating to compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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. Consequently, the level of assurance obtained is substantially lower.

Our work consisted in in making enquiries of Management and the various Group units participating 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 selective tests by means of sampling as described below :

- Meeting with Group personnel to obtain and understanding of the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.

- Analysis of the scope, relevance and integrity of the content included in the NFS for the year 2023 based on the materiality analysis made by the Group and described in section 2.1.2 "Materiality Analysis" and section 2.6.1 "Additional information on materiality analysis", considering the content required by prevailing mercantile regulations.

- Analysis of the processes for gathering and validating the data included in the 2023 Non-Financial Information Statement.

- Review of the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2023 NFS.

- Check, through tests, based on a selection of a sample, the information related to the content of the 2023 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.

Emphasis of matter

Pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investments, and pursuant to the Delegated Acts enacted in accordance with the provisions of that Regulation, undertakings shall disclose information on how and to what extent the undertaking's investments are associated with eligible economic activities in relation to the following environmental objectives: the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems (other environmental objectives), as well as for certain new activities included in the climate change mitigation and adaptation objectives, for the first time for the year 2023. Pursuant to the aforementioned regulation, for the first time for the year 2023 undertakings shall also disclose information on how and to what extent the undertaking's activities are associated with economic activities that are aligned with the activities included in the climate change mitigation and adaptation objectives, excluding the new activities mentioned above. As a result, no comparative information on alignment with the climate change mitigation and adaptation objectives has been included in the accompanying NFS. Nor has information on eligibility been included in relation to other environmental objectives or to the new activities included in the climate change mitigation and adaptation objectives. Additionally, to the extent that the information relating to 2022 was not required with the same level of detail as in 2023, the information disclosed in the accompanying NFS is not strictly comparable, either. Furthermore, it should be noted that Banco Bilbao Vizcaya, S.A.'s directors have included information on the criteria that, in their opinion, allow for better compliance with the aforementioned obligation. These criteria are defined in section 2.2.5 "Information relating to Article 8 of the European Union Taxonomy" and in section 5.3 "Tables relating to Article 8 of the European Taxonomy" of the accompanying consolidated Management Report. Our opinion is not modified in respect of this matter.

Conclusion

Based on the limited assurance procedures conducted and the evidence obtained, nothing has come to our attention that causes us to believe that the Banco Bilbao Vizcaya Argentaria Group NFS for the year ended December 31, 2023 has not been prepared, in all material respects, in accordance with the contents required by current commercial regulation and the criteria of the selected GRI standards, as well as other criteria, including the "Principles of Responsible Banking promoted by the United Nations Alliance", described as explained for each subject matter in the table of the section 2.5.1 "Index of contents of Law 11/2018" and in principles 2.1, 2.2, 2.3 and 5.1 shown in the table of section 2.5.4 "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, thus it may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

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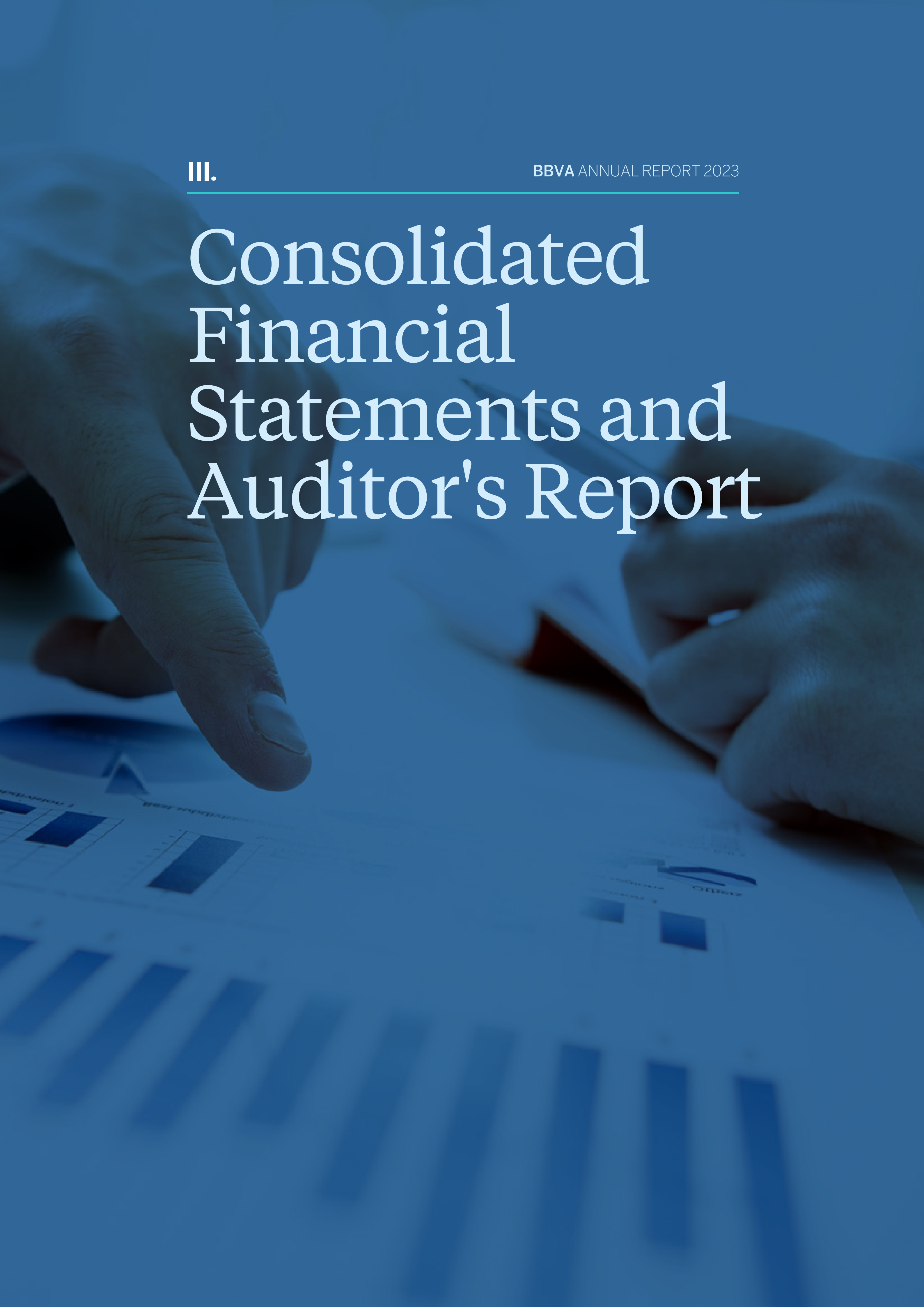
José Carlos Hernández Barrasús

February 9, 2024

Consolidated Financial Statements and Auditor's Report



Contents

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheets 4
Consolidated income statements 7
Consolidated statements of recognized income and expense 9
Consolidated statements of changes in equity 10
Consolidated statements of cash flows 13

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 14
2. Principles of consolidation, accounting policies and measurement bases applied and recent IFRS pronouncements 17
3. BBVA Group 44
4. Shareholder remuneration system 46
5. Earnings per share 50
6. Operating segment reporting 50
7. Risk management 52
8. Fair value of financial instruments 101
9. Cash, cash balances at central banks and other demand deposits 116
10. Financial assets and liabilities held for trading 117
11. Non-trading financial assets mandatorily at fair value through profit or loss 119
12. Financial assets and liabilities designated at fair value through profit or loss 119
13. Financial assets at fair value through other comprehensive income 119
14. Financial assets at amortized cost 123
15. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk 125
16. Investments in joint ventures and associates 129
17. Tangible assets 130
18. Intangible assets 135
19. Tax assets and liabilities 137
20. Other assets and liabilities 141
21. Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale 142
22. Financial liabilities at amortized cost 143
23. Assets and liabilities under insurance and reinsurance contracts 148
24. Provisions 152
25. Post-employment and other employee benefit commitments 154
26. Common stock 162
27. Share premium 164
28. Retained earnings and other reserves 164
29. Treasury shares 166
30. Accumulated other comprehensive income (loss) 167
31. Minority interests (non-controlling interests) 167

32. Capital base and capital management 168
33. Commitments and guarantees given 173
34. Other contingent assets and liabilities 173
35. Purchase and sale commitments and future payment obligations 173
36. Transactions on behalf of third parties 174
37. Net interest income 174
38. Dividend income 175
39. Share of profit or loss of entities accounted for using the equity method 175
40. Fee and commission income and expense 175
41. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net 176
42. Other operating income and expense 177
43. Income and expense from insurance and reinsurance contracts 178
44. Administration costs 178
45. Depreciation and amortization 181
46. Provisions or reversal of provisions 181
47. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification 182
48. Impairment or reversal of impairment of investments in joint ventures and associates 182
49. Impairment or reversal of impairment on non-financial assets 182
50. Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations 182
51. Consolidated statements of cash flows 183
52. Accountant fees and services 183
53. Related-party transactions 184
54. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management 185
55. Other information 193
56. Subsequent events 195
57. Explanation added for translation into English 195

APPENDICES

APPENDIX I. Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2023 197
APPENDIX II. Additional information on investments joint ventures and associates in the BBVA Group as of December 31, 2023 203
APPENDIX III. Changes and notifications of participations in the BBVA Group in 2023 204
APPENDIX IV. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2023 206
APPENDIX V. BBVA Group's securitization funds. Structured entities in 2023. 207
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, 2023, 2022 and 2021 208
APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2023, 2022 and 2021 211
APPENDIX VIII. Consolidated income statements for the first and second half of 2023 and 2022 212
APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A. 214
APPENDIX X. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012 222
APPENDIX XI. Additional information on risk concentration 229
APPENDIX XII 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 238
APPENDIX XIII. Condensed consolidated balance sheets at the IFRS 17 transition date and effective date and condensed consolidated income statement for the year ended December 31, 2023 239

GLOSSARY

CONSOLIDATED MANAGEMENT REPORT

DISCLAIMER

BBVA

Consolidated balance sheets as of December 31, 2023, 2022 and 2021

ASSETS (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**9**	**75,416**	**79,756**	**67,799**
FINANCIAL ASSETS HELD FOR TRADING	**10**	**141,042**	**110,671**	**123,493**
Derivatives		34,293	39,908	30,933
Equity instruments		4,589	4,404	15,963
Debt securities		28,569	24,367	25,790
Loans and advances to central banks		2,809	1,632	3,467
Loans and advances to credit institutions		56,599	25,231	31,916
Loans and advances to customers		14,182	15,130	15,424
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**8,737**	**6,888**	**6,086**
Equity instruments		7,963	6,511	5,303
Debt securities		484	129	128
Loans and advances to customers		290	247	655
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**955**	**913**	**1,092**
Debt securities		955	913	1,092
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**13**	**62,205**	**65,374**	**60,421**
Equity instruments		1,217	1,198	1,320
Debt securities		60,963	64,150	59,074
Loans and advances to credit institutions		26	26	27
FINANCIAL ASSETS AT AMORTIZED COST	**14**	**451,732**	**414,421**	**372,676**
Debt securities		49,462	36,639	34,781
Loans and advances to central banks		7,151	4,401	5,681
Loans and advances to credit institutions		17,477	16,031	13,276
Loans and advances to customers		377,643	357,351	318,939
DERIVATIVES - HEDGE ACCOUNTING	**15**	**1,482**	**1,891**	**1,805**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**(97)**	**(148)**	**5**
JOINT VENTURES AND ASSOCIATES	**16**	**976**	**916**	**900**
Joint ventures		93	100	152
Associates		883	816	749
INSURANCE AND REINSURANCE ASSETS	**23**	**211**	**183**	**269**
TANGIBLE ASSETS	**17**	**9,253**	**8,737**	**7,298**
Properties, plant and equipment		9,046	8,441	7,107
For own use		8,295	7,911	6,874
Other assets leased out under an operating lease		751	530	233
Investment properties		207	296	191
INTANGIBLE ASSETS	**18**	**2,363**	**2,156**	**2,197**
Goodwill		795	707	818
Other intangible assets		1,568	1,449	1,379
TAX ASSETS	**19**	**17,501**	**16,725**	**15,850**
Current tax assets		2,860	1,978	932
Deferred tax assets		14,641	14,747	14,917
OTHER ASSETS	**20**	**2,859**	**2,586**	**1,934**
Insurance contracts linked to pensions		—	—	—
Inventories		276	325	424
Other		2,583	2,260	1,510
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**923**	**1,022**	**1,061**
TOTAL ASSETS	**3 / 6**	**775,558**	**712,092**	**662,885**

(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, 2023.

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Consolidated balance sheets as of December 31, 2023, 2022 and 2021 (continued)

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**121,715**	**95,611**	**91,135**
Derivatives		33,045	37,909	31,705
Short positions		15,735	13,487	15,135
Deposits from central banks		6,397	3,950	11,248
Deposits from credit institutions		43,337	28,924	16,176
Customer deposits		23,201	11,341	16,870
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**13,299**	**10,580**	**9,683**
Deposits from central banks		—	—	—
Deposits from credit institutions		—	—	—
Customer deposits		717	700	809
Debt certificates issued		3,977	3,288	3,396
Other financial liabilities		8,605	6,592	5,479
Memorandum item: Subordinated liabilities		—	—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	**22**	**557,589**	**529,172**	**487,893**
Deposits from central banks		20,309	38,323	47,351
Deposits from credit institutions		40,039	26,935	19,834
Customer deposits		413,487	394,404	349,761
Debt certificates issued		68,707	55,429	55,763
Other financial liabilities		15,046	14,081	15,183
Memorandum item: Subordinated liabilities		*15,867*	*12,509*	*14,808*
DERIVATIVES - HEDGE ACCOUNTING	**15**	**2,625**	**3,303**	**2,626**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**—**	**—**	**—**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**12,110**	**10,131**	**10,865**
PROVISIONS	**24**	**4,924**	**4,933**	**5,889**
Pensions and other post-employment defined benefit obligations		2,571	2,632	3,576
Other long term employee benefits		435	466	632
Provisions for taxes and other legal contingencies		696	685	623
Commitments and guarantees given		770	770	691
Other provisions		452	380	366
TAX LIABILITIES	**19**	**2,554**	**2,935**	**2,413**
Current tax liabilities		878	1,415	644
Deferred tax liabilities		1,677	1,520	1,769
OTHER LIABILITIES	**20**	**5,477**	**4,909**	**3,621**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**—**	**—**	**—**
TOTAL LIABILITIES		**720,293**	**661,575**	**614,125**

(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, 2023.

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Consolidated balance sheets as of December 31, 2023, 2022 and 2021 (continued)

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
SHAREHOLDERS' FUNDS		**67,955**	**64,535**	**60,383**
Capital	**26**	**2,861**	**2,955**	**3,267**
Paid up capital		2,861	2,955	3,267
Unpaid capital which has been called up		—	—	—
Share premium	**27**	**19,769**	**20,856**	**23,599**
Equity instruments issued other than capital		**—**	**—**	**—**
Other equity		**40**	**63**	**60**
Retained earnings	**28**	**36,237**	**32,711**	**31,841**
Revaluation reserves		**—**	**—**	**—**
Other reserves	**28**	**2,015**	**2,345**	**(1,857)**
Reserves or accumulated losses of investments in joint ventures and associates		(237)	(221)	(247)
Other		2,252	2,566	(1,610)
Less: treasury shares	**29**	**(34)**	**(29)**	**(647)**
Profit or loss attributable to owners of the parent		**8,019**	**6,358**	**4,653**
Less: Interim dividends	**4**	**(951)**	**(722)**	**(532)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**30**	**(16,254)**	**(17,642)**	**(16,476)**
Items that will not be reclassified to profit or loss		**(2,105)**	**(1,881)**	**(2,075)**
Actuarial gains (losses) on defined benefit pension plans		(1,049)	(760)	(998)
Non-current assets and disposal groups classified as held for sale		—	—	—
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		(1,112)	(1,194)	(1,079)
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		55	72	2
Items that may be reclassified to profit or loss		**(14,148)**	**(15,760)**	**(14,401)**
Hedge of net investments in foreign operations (effective portion)		(2,498)	(1,408)	(146)
Foreign currency translation		(11,419)	(13,078)	(14,988)
Hedging derivatives. Cash flow hedges (effective portion)		133	(447)	(533)
Fair value changes of debt instruments measured at fair value through other comprehensive income		(357)	(809)	1,274
Hedging instruments (non-designated items)		—	—	—
Non-current assets and disposal groups classified as held for sale		—	—	—
Share of other recognized income and expense of investments in joint ventures and associates		(8)	(18)	(9)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**31**	**3,564**	**3,623**	**4,853**
Accumulated other comprehensive income (loss)		(3,321)	(3,109)	(8,414)
Other items		6,885	6,732	13,267
TOTAL EQUITY		**55,265**	**50,517**	**48,760**
TOTAL EQUITY AND TOTAL LIABILITIES		**775,558**	**712,092**	**662,885**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
Loan commitments given	33	152,868	136,920	119,618
Financial guarantees given	33	18,839	16,511	11,720
Other commitments given	33	42,577	39,137	34,604

(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, 2023.

Consolidated income statements for the years ended December 31, 2023, 2022 and 2021

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
Interest and other income	37.1	47,850	31,432	23,015
Financial assets at fair value through other comprehensive income		*3,098*	*3,110*	*1,880*
Financial assets at amortized cost		*38,328*	*25,258*	*18,364*
Other interest income		*6,424*	*3,064*	*2,770*
Interest expense	37.2	(24,761)	(12,309)	(8,329)
NET INTEREST INCOME		**23,089**	**19,124**	**14,686**
Dividend income	38	118	123	176
Share of profit or loss of entities accounted for using the equity method	39	26	21	1
Fee and commission income	40	9,899	8,260	6,997
Fee and commission expense	40	(3,611)	(2,888)	(2,232)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	76	64	134
Financial assets at amortized cost		*41*	*8*	*27*
Other financial assets and liabilities		*35*	*56*	*106*
Gains (losses) on financial assets and liabilities held for trading, net	41	1,352	562	341
Reclassification of financial assets from fair value through other comprehensive income		—	—	—
Reclassification of financial assets from amortized cost		—	—	—
Other gains (losses)		*1,352*	*562*	*341*
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	337	(67)	432
Reclassification of financial assets from fair value through other comprehensive income		—	—	—
Reclassification of financial assets from amortized cost		—	—	—
Other gains (losses)		*337*	*(67)*	*432*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	96	150	335
Gains (losses) from hedge accounting, net	41	(17)	(45)	(214)
Exchange differences, net	41	339	1,275	883
Other operating income	42	619	528	661
Other operating expense	42	(4,042)	(3,438)	(2,041)
Income from insurance and reinsurance contracts	43	3,081	2,622	2,593
Expense from insurance and reinsurance contracts	43	(1,821)	(1,547)	(1,685)
GROSS INCOME		**29,542**	**24,743**	**21,066**
Administration costs		(10,905)	(9,373)	(8,296)
Personnel expense	44.1	*(6,530)*	*(5,601)*	*(5,046)*
Other administrative expense	44.2	*(4,375)*	*(3,773)*	*(3,249)*
Depreciation and amortization	45	(1,403)	(1,328)	(1,234)
Provisions or reversal of provisions	46	(373)	(291)	(1,018)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	47	(4,428)	(3,379)	(3,034)
Financial assets measured at amortized cost		(4,386)	(3,303)	(3,017)
Financial assets at fair value through other comprehensive income		(42)	(76)	(17)
NET OPERATING INCOME		**12,432**	**10,372**	**7,484**
Impairment or reversal of impairment of investments in joint ventures and associates	48	(9)	42	—
Impairment or reversal of impairment on non-financial assets	49	(54)	(27)	(221)
Tangible assets		*(16)*	*53*	*(161)*
Intangible assets		*(26)*	*(25)*	*(19)*
Other assets		*(12)*	*(55)*	*(41)*
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		28	(11)	24
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	22	(108)	(40)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**12,419**	**10,268**	**7,247**
Tax expense or income related to profit or loss from continuing operations	19	(4,003)	(3,505)	(1,909)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**8,416**	**6,763**	**5,338**
Profit (loss) after tax from discontinued operations	21	—	—	280
PROFIT (LOSS)		**8,416**	**6,763**	**5,618**
ATTRIBUTABLE TO MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**31**	**397**	**405**	**965**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**8,019**	**6,358**	**4,653**

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

Consolidated income statements for the years ended December 31, 2023, 2022 and 2021 (continued)

EARNINGS (LOSSES) PER SHARE (Euros)				
	Notes	2023	2022 (1)	2021 (1)
EARNINGS (LOSSES) PER SHARE (Euros)	**5**	**1.29**	**0.98**	**0.67**
Basic earnings (losses) per share from continuing operations		1.29	0.98	0.63
Diluted earnings (losses) per share from continuing operations		1.29	0.98	0.63
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 (see Note 1.3).

The Notes and Appendices are an integral part of the consolidated income statement for the year ended December 31, 2023.

BBVA

Consolidated statements of recognized income and expense for the years ended December 31, 2023, 2022 and 2021

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	2023	2022 (1)	2021 (1)
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	**8,416**	**6,763**	**5,618**
OTHER RECOGNIZED INCOME (EXPENSE)	**1,175**	**789**	**(3,977)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(223)**	**190**	**358**
Actuarial gains (losses) from defined benefit pension plans	(358)	354	218
Non-current assets and disposal groups held for sale	—	—	(3)
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	100	(121)	189
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	(24)	100	33
Income tax related to items not subject to reclassification to income statement	59	(143)	(80)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**1,398**	**599**	**(4,335)**
Hedge of net investments in foreign operations (effective portion)	**(1,095)**	**(1,172)**	**(117)**
Valuation gains (losses) taken to equity	(1,095)	(1,172)	(117)
Transferred to profit or loss	—	—	—
Other reclassifications	—	—	—
Foreign currency translation	**1,379**	**3,413**	**(2,256)**
Translation gains (losses) taken to equity	1,378	3,413	(2,239)
Transferred to profit or loss	1	—	(17)
Other reclassifications	—	—	—
Cash flow hedges (effective portion)	**832**	**72**	**(691)**
Valuation gains (losses) taken to equity	832	91	(553)
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	**752**	**(2,498)**	**(1,139)**
Valuation gains (losses) taken to equity	757	(2,528)	(1,082)
Transferred to profit or loss	(5)	30	(57)
Other reclassifications	—	—	—
Non-current assets and disposal groups held for sale	**—**	**—**	**(663)**
Valuation gains (losses) taken to equity	—	—	(30)
Transferred to profit or loss	—	—	(633)
Other reclassifications	—	—	—
Entities accounted for using the equity method	**12**	**(7)**	**8**
Income tax relating to items subject to reclassification to income statements	**(482)**	**791**	**523**
TOTAL RECOGNIZED INCOME (EXPENSE)	**9,591**	**7,552**	**1,640**
Attributable to minority interests (non-controlling interests)	**184**	**1,352**	**(500)**
Attributable to the parent company	**9,407**	**6,200**	**2,141**

(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, 2023.

BBVA

Consolidated statements of changes in equity for the years ended December 31, 2023, 2022 and 2021

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2023	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves	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)	Minority interests: Accumulated other comprehensive income (loss) (Note 31)	Minority interests: Other (Note 31)	Total
Balances as of January 1, 2023 [(1)]	**2,955**	**20,856**	**—**	**63**	**32,536**	**—**	**2,345**	**(29)**	**6,420**	**(722)**	**(17,432)**	**(3,112)**	**6,736**	**50,615**
Effect of changes in accounting policies (Note 1.3)	**—**	**—**	**—**	**—**	**175**	**—**	**—**	**—**	**(62)**	**—**	**(210)**	**4**	**(4)**	**(98)**
Adjusted initial balance	**2,955**	**20,856**	**—**	**63**	**32,711**	**—**	**2,345**	**(29)**	**6,358**	**(722)**	**(17,642)**	**(3,109)**	**6,732**	**50,517**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8,019**	**—**	**1,388**	**(213)**	**397**	**9,591**
Other changes in equity	**(94)**	**(1,087)**	**—**	**(22)**	**3,526**	**—**	**(331)**	**(5)**	**(6,358)**	**(228)**	**—**	**1**	**(244)**	**(4,842)**
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	(94)	(1,087)	—	—	75	—	(316)	1,422	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,857)	—	—	—	—	(951)	—	—	(263)	(3,071)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,166)	—	—	—	—	—	(2,166)
Sale or cancellation of treasury shares	—	—	—	—	—	—	1	739	—	—	—	—	—	741
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers among components of equity	—	—	—	2	5,651	—	(17)	—	(6,358)	722	—	1	(1)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(41)	—	—	—	—	—	—	—	—	—	(41)
Other increases or (-) decreases in equity	—	—	—	17	(344)	—	2	—	—	—	—	—	20	(305)
Balance as of December 31, 2023	**2,861**	**19,769**	**—**	**40**	**36,237**	**—**	**2,015**	**(34)**	**8,019**	**(951)**	**(16,254)**	**(3,321)**	**6,885**	**55,265**

(1) Balances as of December 31, 2022 as originally reported in the Consolidated Financial Statements for the year 2022.

The Notes and Appendices are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2023.

BBVA

Consolidated statements of changes in equity for the years ended December 31, 2023, 2022 and 2021 (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Minority interests		
2022 (1)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves	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 (2)	**3,267**	**23,599**	**—**	**60**	**31,841**	**—**	**(1,857)**	**(647)**	**4,653**	**(532)**	**(16,476)**	**(8,414)**	**13,267**	**48,760**
Effect of changes in accounting policies	**—**	**—**	**—**	**—**	**178**	**—**	**—**	**—**	**—**	**—**	**(186)**	**1**	**(6)**	**(12)**
Adjusted initial balance	**3,267**	**23,599**	**—**	**60**	**32,019**	**—**	**(1,857)**	**(647)**	**4,653**	**(532)**	**(16,662)**	**(8,413)**	**13,261**	**48,748**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,358**	**—**	**(158)**	**947**	**405**	**7,552**
Other changes in equity	**(313)**	**(2,743)**	**—**	**3**	**692**	**—**	**4,202**	**617**	**(4,653)**	**(190)**	**(822)**	**4,358**	**(6,935)**	**(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 among components of equity (3)	—	—	—	—	2,231	—	2,712	—	(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 (3)	—	—	—	25	(326)	—	1,836	—	—	—	—	—	(2,392)	(857)
Balance as of December 31, 2022	**2,955**	**20,856**	**—**	**63**	**32,711**	**—**	**2,345**	**(29)**	**6,358**	**(722)**	**(17,642)**	**(3,109)**	**6,732**	**50,517**

(1) Presented for comparison purposes only (see Note 1.3).
(2) Balances as of December 31, 2021 as originally reported in the Consolidated Financial Statements for the year 2021.
(3) The headings "Transfers among components of equity" and "Other increases or decreases in equity" include the effects of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the subsidiaries in Turkey (see Note 2.2.18) for amounts of €1,873 million in "Retained earnings", €1,862 million in "Accumulated other comprehensive income (loss)" and, under the heading of "Minority 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, 2023.

BBVA

Consolidated statements of changes in equity for the years ended December 31, 2023, 2022 and 2021 (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Minority interests		
2021 (1)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves	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 among components of 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, 2023.

BBVA

Consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021

CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(721)**	**23,718**	**(1,242)**
Of which hyperinflation effect from operating activities	2.2.18	1,884	2,692	—
Profit for the year		**8,416**	**6,763**	**5,618**
Adjustments to obtain the cash flow from operating activities		**12,150**	**11,746**	**7,688**
Depreciation and amortization		1,403	1,328	1,234
Other adjustments		10,747	10,418	6,454
Net increase/decrease in operating assets		**(77,408)**	**(42,900)**	**(38,267)**
Financial assets held for trading		(27,884)	14,658	(17,031)
Non-trading financial assets mandatorily at fair value through profit or loss		(1,288)	(421)	(908)
Other financial assets designated at fair value through profit or loss		(42)	179	25
Financial assets at fair value through other comprehensive income		2,512	(1,014)	7,116
Financial assets at amortized cost		(51,182)	(55,754)	(28,062)
Other operating assets		476	(548)	592
Net increase/decrease in operating liabilities		**61,473**	**51,343**	**25,266**
Financial liabilities held for trading		24,435	2,907	6,479
Other financial liabilities designated at fair value through profit or loss		2,003	293	(837)
Financial liabilities at amortized cost		36,127	48,161	19,682
Other operating liabilities		(1,092)	(17)	(58)
Collection/payments for income tax		**(5,353)**	**(3,234)**	**(1,546)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(1,419)**	**(3,911)**	**(1,634)**
Of which hyperinflation effect from investing activities	2.2.18	772	759	—
Investment		**(1,912)**	**(4,506)**	**(12,472)**
Tangible assets		(1,129)	(1,812)	(396)
Intangible assets		(690)	(630)	(550)
Investments in joint ventures and associates		(93)	(81)	(50)
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		**492**	**596**	**10,838**
Tangible assets		92	29	78
Intangible assets		—	—	—
Investments in joint ventures and associates		58	127	80
Subsidiaries and other business units		21	—	10
Non-current assets classified as held for sale and associated liabilities	21	321	440	10,670
Other collections related to investing activities		—	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(1,842)**	**(7,563)**	**(4,349)**
Of which hyperinflation effect from financing activities	2.2.18	—	—	—
Payments		**(7,224)**	**(7,996)**	**(4,786)**
Dividend distribution (shareholders remuneration)		(2,808)	(2,185)	(926)
Subordinated liabilities		(1,629)	(2,258)	(2,301)
Treasury share amortization		(94)	(313)	—
Treasury share acquisition		(2,072)	(2,670)	(1,022)
Other items relating to financing activities		(622)	(571)	(538)
Collections		**5,383**	**434**	**438**
Subordinated liabilities		4,672	—	—
Treasury shares increase		—	—	—
Treasury shares disposal		711	434	438
Other items relating to financing activities		—	—	—
D) EFFECT OF EXCHANGE RATE CHANGES		**(357)**	**(288)**	**(1,864)**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(4,339)**	**11,957**	**(9,089)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (2)		**79,756**	**67,799**	**76,888**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)		**75,416**	**79,756**	**67,799**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)	Notes	2023	2022 (1)	2021 (1)
Cash	9	7,751	6,533	6,877
Balance of cash equivalent in central banks	9	60,750	67,314	55,004
Other financial assets	9	6,916	5,909	5,918
Less: Bank overdraft refundable on demand		—	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**75,416**	**79,756**	**67,799**

(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 Note 3).

The Notes and Appendices are an integral part of the consolidated statement of cash flows for the year ended December 31, 2023.

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, 2023, in addition to the Bank, the BBVA Group had 196 consolidated entities and 45 entities accounted for using the equity method (see Notes 3 and 16 and Appendices I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2022 were approved by the shareholders at the Annual General Shareholders' Meeting ("AGM") held on March 17, 2023.

BBVA Group's Consolidated Financial Statements and the Financial Statements for the Bank and the majority of the other entities within the Group have been prepared for the year ended December 31, 2023, 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 significant 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, 2023, 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, 2023 were prepared by the Group's Directors (through the Board of Directors meeting held on February 6, 2024) 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, 2023, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2023.

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 applicable 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, 2022 and 2021, is presented in accordance with the applicable regulation, for the purpose of comparison with the information for the year ended December 31, 2023.

IFRS 17 "Insurance Contracts"

As of January 1, 2023, IFRS 17 "Insurance Contracts" replaced IFRS 4 in the accounting treatment of insurance contracts. IFRS 17 is mandatory for financial years beginning on January 1, 2023, therefore such standard has been applied in these Consolidated Financial Statements for the first time with comparative information for at least one year, that is, for the BBVA Group, from January 1, 2022 to December 31, 2022 has been restated accordingly (see Note 2.3 and Appendix XIII).

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 in the valuation of insurance and reinsurance contracts (see Note 23), to quantify certain provisions (see Note 24) and the 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 and the forecast for corporate income tax (see Note 19).

In general, the BBVA Group is working to consider and include in its financial analysis models how climate risk and other climate-related matters can affect the financial statements, cash flows and financial performance of the group. Where these risks are being considered, the relevant estimates and judgments, to the extent that they are material, are also being considered when preparing the financial statements of the BBVA Group and they are disclosed in the corresponding Notes to the Consolidated Financial Statements.

The prevailing geopolitical and economic uncertainties (see Note 7.1) entail a greater complexity in developing reliable estimations and applying judgment. Estimates have been made on the basis of the best available information on the matters analyzed as of December 31, 2023. However, it is possible that events may take place subsequent to such date, 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 2023 there have been no significant changes in the estimates made as of December 31, 2022 and 2021, 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 (ICFR) model. 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 ensure 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:

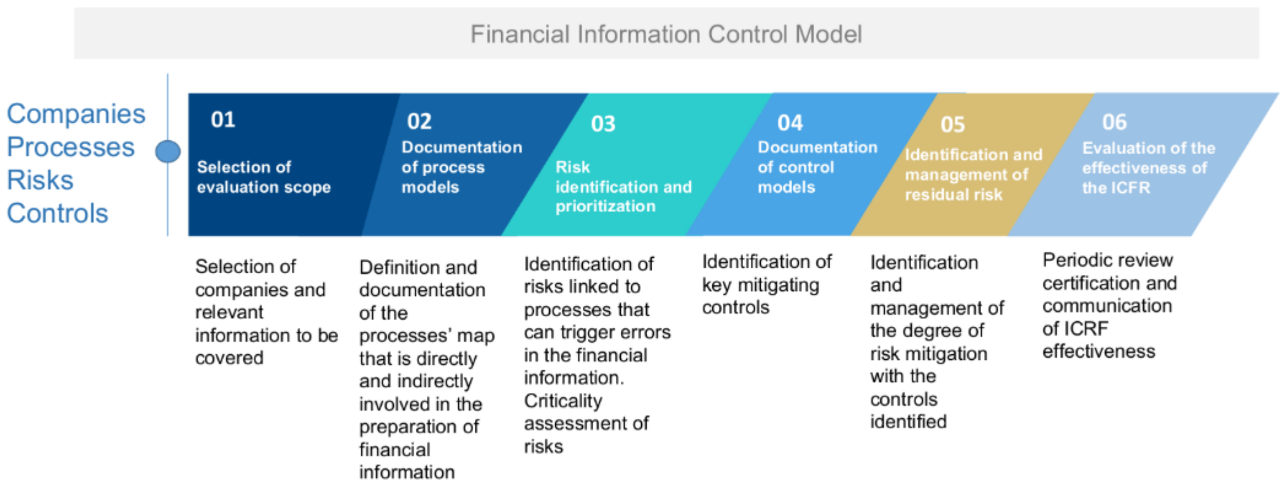
  a. The first line of defense (1LoD) is located within the business and support units, which are responsible for identifying risks associated with their processes, as well as for implementing and executing the necessary controls to mitigate them. The Risk Control Assurer (RCA) role was created to reinforce 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 Group's 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 includes both the controls related to the financial information generation processes, as well as those of a broader scope, designed to improve the Group's general control environment (ELC or Entity Level Control). Both types of controls are assessed on a regular basis by the Group's Control areas and 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 ("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, 2023.

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, the Financial Statements of the BBVA Group are comprised 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).

  Generally, there is a presumption that a majority of voting rights gives rise to control. When the Group holds less than the majority of the voting rights or similar rights in an entity, the Group considers all relevant facts and circumstances in assessing whether it has control over the entity, including:

  - Contractual arrangements with other holders of voting rights.
  - The rights arising from other contractual arrangements.
  - The Group's voting rights and potential voting rights.

  There are certain entities that, although the Group holds less than 50% of the voting rights in them, are considered to be subsidiaries because the Group has the ability to exercise control over them (see Appendix I).

  The financial statements of the subsidiaries are fully consolidated with those of the Bank through the full consolidation method, which consists of the aggregation of assets, liabilities and equity, income and expenses, of a similar nature, shown in their individual financial statements. Intragroup assets and liabilities, equity, income and expenses and cash flows related to intragroup transactions are eliminated in consolidation.

  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 interests (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, 2023. 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 the main joint ventures accounted for using the equity method as of December 31, 2023.

- Associates

  Associates are entities in which the Group is able to exercise significant influence (for definition, see Glossary), but not control or joint control. 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.

  The Group evaluates the existence of significant influence, not only based on the voting rights but also qualitative factors such as presence on the board of directors, participation in decision-making processes, exchange of management personnel, as well as access to technical information. Regarding joint agreements, in addition to evaluating the rights and obligations of the parties thereto, other facts and circumstances are considered to determine whether an agreement is a joint venture or a joint operation. When the sale or contribution of a controlled business to an associate or joint venture occurs, the Group recognizes any retained interest at fair value. The difference between the book value of the business contributed and the fair value of the retained investment plus the corresponding disposal is fully recognized in the income statement.

  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 are classified as "Non-trading financial assets mandatorily at fair value through profit or loss" (see Note 11) or "Financial assets at fair value through other comprehensive income" (see Note 13).

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, 2023, these entities are not significant to the Group.

Associates are valued for by the equity method. These entities are initially recognized at cost and subsequently adjusted according to the changes in the Group's share of the net assets of such entities after their acquisition (see Note 16). The Group's income statement reflects the proportion of the results generated by associates in the line "Results of entities accounted for using the equity method". The main figures of the most significant entities are shown in Appendix II.

– Structured entities

A structured entity (see Glossary) 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.

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 contracts, as is standard in the securitization market.

The most common ones are investment positions in equity tranches of notes; 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, 2023, 2022 and 2021 there was no material financial support from the Bank or its subsidiaries to non-consolidated 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, 2023, financial statements as of December 31 of all Group entities were utilized except in the case of the consolidated financial statements of six associates deemed non-significant for which financial statements as of November 30, 2023 were used.

Business combinations

A business combination is a transaction, or any other deal, by which the Group obtains control over one or more businesses, accounting 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 accounted for. 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.

The acquirer shall recognize an asset in the consolidated balance sheet under the heading “Intangible asset - Goodwill” (see Note 2.2.7) if on the acquisition date there is a positive difference between:

- the sum of the consideration paid, the amount of all the minority interests and the fair value of the stock previously held in the acquired business; and
- the 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”.

Minority 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 minority interests may be elected in each business combination. BBVA Group has always elected the second method.

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 the Bank of Spain´s Circular 4/2017.

Appendix IX shows BBVA’s separate financial statements as of and for the years ended December 31, 2023 and 2022.

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; and
- 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; and

– 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.

"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, 2023, 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%.

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, 2023, 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.

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 Tangible Assets

Tangible assets are classified according to their nature:

- **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 Group and that it expects to hold for more than one year. It also includes tangible assets received by the Group in full or partial settlement of receivables from third parties which are expected to be held for continuing use.

- **Investment properties**

Includes the value of land, buildings and other structures that are held either for rental or for capital gain on sale, and which are not expected to be used in the ordinary course of business and are not intended for own use.

- **Assets leased out under an operating lease**

Includes assets for which the Group has granted the right of use to another company through an operating lease contract.

In general, and as an accounting policy option, tangible assets are recorded in the balance sheets under the cost model, i.e., at acquisition cost, less the related accumulated depreciation and, if applicable, the estimated impairment losses resulting from comparing the net book value of each item with its corresponding recoverable value (see Note 17).

The Group uses the straight-line method to calculate depreciation over the estimated useful life of the asset. The depreciation charge for tangible assets is recorded under "Depreciation and amortization" in the income statement (see Note 45) and is the result of using the following depreciation rates:

General 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 analyzes whether there are indicators that a tangible asset may be impaired and, if any, adjusts the carrying amount to its recoverable amount, modifying future depreciation charges in accordance with its revised remaining useful life. Similarly, if there is indication that the value of a tangible asset that was previously impaired has been recovered, the Group estimates the recoverable amount of the asset and recognizes in the income statement the reversal of the impairment loss recognized in previous years and thus, adjusts the future depreciation charges. Any impairment or reversal of impairment will be recognized with the offsetting entry recorded to the heading “Impairment or reversal of impairment of non-financial assets - Intangible assets” of the consolidated income statement (see Note 49).

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

Operating and maintenance expenses relating to tangible assets for own use are recognized in the year in which they are incurred under "Administrative expenses - Property, plant and equipment" in the income statement (see Note 44.2).

Additionally, for those geographical areas with subsidiaries where the Group applies IAS 29 "Financial Reporting in Hyperinflationary Economies", this type of asset is adjusted, at each balance sheet date, to show variations in the purchasing power of the currency due to inflation from the date of acquisition or inclusion in the consolidated balance sheet (see Note 2.2.18).

2.2.5 Leases

In general, the Group will record assets and liabilities for lease contracts by recording a right of use (right to use the leased asset) under ''Tangible assets - Property, plant and equipment'' and ''Tangible assets - Investment property'' (see Note 17), and a lease liability (its obligation to make lease payments) under ''Financial liabilities at amortized cost - Other financial liabilities'' (see Note 22.5). The BBVA Group applies two exceptions in the case of short-term leases and leases whose underlying asset is of low value. In these cases, lease payments are recognized under "Other operating expense" (see Note 42) in the consolidated income statement over the term of the lease.

At the initial date of the lease, the lease liability is equal to the present value of all lease unpaid payments. Subsequently, it is valued at amortized cost.

The right to use assets is initially recorded at cost and is subsequently reduced by accumulated amortization and accumulated impairment. The Group has decided to calculate depreciation using the straight-line method. Depreciation of tangible assets is recorded under "Depreciation and amortization" in the consolidated statement of income (see Note 45).

The interest expense on the lease liability is recorded 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).

Operating lease and sublease incomes are recognized in the consolidated income statements under the headings “Other operating income” (see Note 42).

On the other hand, when the Group acts as a lessor, it classifies leases as finance or operating leases. In finance leases, the sum of the present values of the amounts received plus the guaranteed residual value is recorded as financing provided to third parties and is included under "Financial assets at amortized cost" in the consolidated balance sheet (see Note 14).

In operating leases, the acquisition cost of the leased assets is presented under "Tangible assets - Property, plant and equipment - Assigned under operating leases" in the consolidated balance sheet (see Note 17). These assets are depreciated in accordance with the policies adopted for similar tangible assets for own use and the income and expenses arising from the lease contracts are recognized in the consolidated income statement on a straight-line basis under "Other operating income" and "Other operating expense", respectively (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.

Additionally, for those geographical areas with subsidiaries where the Group applies IAS 29 "Financial Reporting in Hyperinflationary Economies", this type of asset is being adjusted to show changes in the purchasing power of the currency due to inflation from the date of acquisition or inclusion in the consolidated balance sheet (see Note 2.2.18).

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

This heading 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, it includes assets that were expected to be disposed of within one year, but for which disposal there is a delay caused by events and circumstances beyond the Group's control, and there is sufficient evidence that the Group remains committed to its plan for sale (see Note 21), in particular, regarding real estate assets or other assets received to cancel, in whole or in part, the payment obligations of debtors for credit operations. These assets are not amortized as long as they remain in this category.

With respect to valuation, in general, foreclosed real estate assets or assets received in payment of debts are recognized both at the date of acquisition and subsequently, at the lower of their fair value less estimated costs to sell and their carrying amount, with the possibility of recognizing an impairment or reversal of impairment for the difference, if applicable. When the amount of the sale less estimated costs to sell exceeds the carrying amount, the gain is not recognized until the time of disposal and derecognition.

The applicable carrying value of the financial asset is updated at the time of foreclosure, treating the foreclosed property as collateral and taking into account the corresponding credit risk hedges at the time prior to delivery. The fair value of foreclosed assets is based mainly on appraisals or valuations performed by independent experts with a maximum age of one year, or less if there are indications of impairment; in addition, by appraisal, evaluating the need to apply a discount on the asset based on its specific conditions or market conditions for such type of assets is evaluated and in any case, the entity's estimated sale costs are deducted.

Gains/losses on disposal of these assets and impairment losses are recognized under "Gains (losses) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated income statement (see Note 50). Other income and expenses are classified in the income statement items according to their nature.

The income and expenses of discontinued operations generated in the year, even if they were generated prior to their classification as discontinued operations, are presented, net of the tax effect, as a single amount under "Profit (loss) after tax from discontinued operations" in the consolidated income statement. This caption also includes the results obtained on disposal (net of the tax effect).

Additionally, for those geographical areas with subsidiaries where the Group applies IAS 29 "Financial Reporting in Hyperinflationary Economies", this type of assets is being adjusted to show changes in the purchasing power of the currency due to inflation from the date of acquisition or inclusion in the consolidated balance sheet (see Note 2.2.18).

2.2.7 Intangible assets

Goodwill

Goodwill represents the advance payment made by the entity for future economic benefits, from assets that have not been individually identified nor separately recognized in a business combination.

Goodwill is allocated to one or more cash-generating units (CGU) that are expected to be the beneficiaries of the synergies derived from the business combinations. CGUs represent the smallest identifiable groups of assets that generate cash flows for the Group. Goodwill is not amortized and is periodically tested for impairment (see Note 18), comparing the carrying amount of that CGU - adjusted by the amount of goodwill attributable to minority interests, in the event that the Group has not chosen to measure minority interests at fair value, 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.

Impairment losses on goodwill are recorded under "Impairment or reversal of impairment of non-financial assets - Intangible assets" (see Note 49).

Other intangible assets

These assets may have an indefinite useful life if 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 indefinite useful lives are not amortized but are tested for impairment at least annually.

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. Finite useful life intangible assets consist mainly of IT applications acquisition costs which have a useful life, in general, of 5 years. Internally developed software is recognized as an intangible asset when, among other requirements, it has the capacity to be used or sold, it is identifiable and its capacity to generate economic benefits in the future can be demonstrated. The amortization charge of these assets is recognized in the consolidated income statements under the heading "Depreciation and amortization" (see Note 45).

Any impairment losses on the carrying amount of these assets will be recognized under 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.

Additionally, for those geographical areas with subsidiaries where the Group applies IAS 29 "Financial Reporting in Hyperinflationary Economies", this type of asset is being adjusted to show changes in the purchasing power of the currency due to inflation from the date of acquisition or inclusion in the consolidated balance sheet (see Note 2.2.18).

2.2.8 Insurance and reinsurance contracts

Assets and liabilities under insurance and reinsurance contracts under IFRS 17 applicable to 2023 and 2022

The Group has applied IFRS 17 to "insurance contracts" as from January 1, 2023. IFRS 17 superseded IFRS 4 as the accounting standard applicable to the recognition, measurement and presentation of contracts that transfer significant insurance risk, retrospectively revised since January 1, 2022.

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 value of reinsurance covers in respect of the insurance liabilities recognized by the consolidated subsidiaries.

The heading “Liabilities under insurance and reinsurance contracts” in the consolidated balance sheets includes the liabilities recognized due to insurance contracts recorded by the consolidated subsidiaries in accordance with IFRS 17 (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.

Definition, grouping and classification

The Group evaluates whether a significant insurance risk from a third party is being accepted in its contracts, when agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Thus, it identifies those insurance contracts that fall within IFRS 17. This evaluation was already carried out by the Group under IFRS 4 for the classification of its contracts between insurance contracts and financial liabilities.

The BBVA Group groups insurance contracts considering the following aspects:

- whether they are subject to similar risks and are managed jointly, separating as well direct insurance and reinsurance contracts.
- their profitability or onerousness (in general, the Group classifies contracts by their profitability into two groups: onerous contracts, and non-onerous contracts or contracts without a significant possibility of becoming onerous[1].
- and their year of issuance or cohort, grouping by this last criterion the contracts issued in the calendar year, i.e., between January 1 and December 31 of each year.

Since the Group has chosen the fair value transition approach, for long-term contracts (mainly life-risk and life-saving insurance) issued prior to the transition date of January 1, 2022 (see Note 2.3), it has not been necessary to aggregate the contracts by previous cohorts. For contracts issued after the transition date, the Group classifies them by year of issuance, and therefore, the Group has not accepted the exception provided for in the adoption of the standard by the European Union on annual cohorts in products with matched cash flows[2].

The Group has applied the analysis on the separation of non-insurance components only to insurance contracts falling under the scope of IFRS 17, with the entities identifying within their portfolios the existence of non-insurance components, and concluding based on expert judgment whether or not they need to separate them. In the case of non-separable investment components, they are included in the asset or liability, as appropriate, but are excluded from insurance income or expenses in the income statement.

[1] There is the possibility of defining three or more onerous groups.
[2] Article 2 of Regulation (EU) 2021/2036 of the Commission of November 19, 2021.

The initial recognition date has been established as the earliest of: the beginning of the coverage period of the group of contracts, the date when the first payment from an insurance policyholder in the group became due, or in the case of a group of onerous contracts, when the group becomes onerous. From that date, the insurance and reinsurance contracts have been reflected in the consolidated financial statements and valued in accordance with the provisions of IFRS 17.

The Group derecognizes insurance contracts when the contract expires, that is, upon expiration of the contract or upon settlement of all the benefits of the contract or upon its cancellation; or when a modification is made to the terms of the contract that gives rise to derecognition.

Valuation methods

The Group has carried out an analysis of the limits of insurance and reinsurance contracts under IFRS 17, separately, applying the General Model (Building Block Approach) by default to all contracts, except those eligible to be valued by the Simplified Model (Premium Allocation Approach), or the Variable Fee Approach.

The General Model requires that insurance contracts be initially valued 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, 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 (CSM), which represents the expected unearned profit from 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.

Subsequently, the amount recognized in the consolidated balance sheet for each group of insurance contracts measured under this model comprises the liability for remaining coverage, which includes the aforementioned fulfillment cash flows and the contractual service margin, and the liability for incurred claims, which includes the cash flows from related to claims that have occurred, but have not been paid, 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 by the uncertainty associated with the amount and timing of the expected cash flows. The Group uses the General Model for the valuation of liabilities under insurance and reinsurance contracts that correspond to long-term commitments, a portfolio that represents the majority of what is recorded in the balance sheet.

The Group used the Simplified Model in the valuation of the liability for remaining coverage of contracts with a coverage period of one year or less, or in those contracts with a duration of more than one year but which are not expected to have a valuation significantly different from that of the General Model. Under this Simplified Model, the liability for remaining coverage is made up of the premiums received (collected), less the cash flows for the acquisition of the insurance paid, plus or minus the premiums or expected acquisition cash flows recorded in the income statement, respectively. The income statement recording is carried out on a linear basis throughout the coverage period of the contract, in the event that the accrual of income is also accrued. By default, the Group has chosen to defer acquisition expenses, although there is an option to recognize such expenses when they are incurred. In turn, the groups of contracts valued under this model have a liability for incurred claims calculated in a manner similar to that of the General Model. The Group has valued direct insurance contracts whose coverage period is less than one year, using the Simplified Model, the same method used for the valuation of assets for the reinsurance ceded. This model has also been used by the Group when the valuation under this Simplified Model does not differ significantly from that which would be produced by applying the General Model.

The amount of the contracts valued following the Variable Fee Approach is residual in the Group.

The BBVA Group has defined and identified for each group of contracts the hedging units to be used for the release to profit or loss of the contractual service margin, in accordance with IFRS 17, and subsequent interpretations issued by the Transition Resource Group for IFRS 17 and the IFRIC. The adjustments made to the contractual service margin in the subsequent measurement are those established in paragraph 44 of IFRS 17.

Furthermore, the Group has chosen the accounting policy option of not changing the treatment of accounting estimates made in previous interim closings.

Discount rate

The methodology used to obtain the discount rate differs according to the entity and portfolio to which it is applied, highlighting mainly the cases of the companies in Spain and Mexico, where the Group has greater presence (see Note 23). 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 European Insurance and Occupational Pensions Authority (hereinafter "EIOPA") fundamental spread is discounted for. In the second case, the top-down approach has been used for immunized portfolios (see Glossary), eliminating the spread 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 rate.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation required for bearing uncertainty about the amount and timing of the associated cash flows. To estimate the non-financial risk adjustment, the Group has used its own methodologies based on calculations of the Value at Risk (VaR) of the commitments associated with the Life and Non-Life businesses, using in the case of Spain a confidence level of 80% and in the case of Mexico 70%.

Onerosity

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow.

The Group has classified the contracts valued under the General Model into onerous groups, considering the fulfillment cash flows, acquisition expenses and any other attributable cash flow. The evaluation is carried out, in general terms, contract by contract, except in those cases where it is possible to group into sets of homogeneous contracts.

Contracts valued under the Simplified Model, by default, are assumed to be non-onerous at their initial recognition, unless there are facts and circumstances that indicate otherwise, where the Group relies on information from existing internal reports (ratios and indicators) for monitoring business performance, adjusted to the criteria of IFRS 17, as well as market evolution expectations based on expert judgment. The granularity to carry out this evaluation may be the same as that used to monitor the business through the abovementioned internal reports.

In the same way as the contractual service margin represents the estimated future benefit of the insurance contract, the loss component is the estimated loss of the onerous contract. The accounting record of these two concepts has a different temporality: while the margin is deferred throughout the duration of the contract according to the contractual limits, the loss component is recognized in the income statement as soon as it is known, which will result in the carrying amount of the group's liability being equal to the fulfilment cash flows and the group's contractual service margin being equal to zero.

Throughout the life of a contract, the assumptions used to project future cash flows may change and, consequently, the expected return on a contract may increase or decrease. This means that a group of contracts initially classified as onerous may become more onerous, or on the contrary, in the subsequent measurement the assumptions used to estimate the cash flows may change so much that the previously recognized loss could be reversed.

Reinsurance

In general, the Group values reinsurance covers under the Simplified Model, valuing the asset for remaining coverage of contracts with a coverage period of one year or less, or in those contracts with a duration of more than one year, but which are not expected to produce a valuation significantly different from that of the General Model. This method also includes the asset for incurred claims.

Effect on results

In general, for the presentation of the financial income or expenses from insurance contracts that arise as a result of the change in the discount rate, both due to the effect of the time value of money as well as the effect of financial risk, the Group has chosen the accounting policy option of disaggregating these financial income or expenses from insurance contracts between recording them in the "Net interest income" and in "Accumulated other comprehensive income (loss)", in order to minimize accounting asymmetries in the valuation and recognition of financial investments under IFRS 9 and insurance contracts under IFRS 17.

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 income or expense from insurance contracts. Insurance revenue is recognized over the period the entity provides insurance coverage, excluding any investment component.

The loss component, in the case of onerous contracts, corresponds to the losses attributable to each group of contracts, both at initial recognition and at a later time.

Assets and liabilities under insurance and reinsurance contracts under IFRS 4 applicable to 2021

Information as of and for the year ended December 31, 2021 is presented following the policies and valuation criteria established by IFRS 4, which was applicable as of December 31, 2021.

Pursuant to IFRS 4, the consolidated insurance entities of the BBVA Group recognized the amounts of the premiums written and a charge for the estimated cost of the claims that would be incurred at their final settlement to their consolidated income statements. At the close of the year, the amounts collected and unearned, as well as the costs incurred and unpaid, were accrued.

The most significant provisions recorded by consolidated insurance entities with respect to insurance policies issued by them, according to the type of product, could be as follows:

- Life insurance provision: Represents the value of the net obligations undertaken with the life insurance policyholder. These provisions include: Provisions for unearned premiums and mathematical reserves.

- Non-life insurance provision: Includes provisions for unearned premiums and provisions for unexpired risks.

- Provision for claims: This reflects the total amount of the outstanding obligations arising from claims incurred prior to year-end. The provision is equivalent to 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 such 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 cover: 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: These are 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 as an expense for the period 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, the carryforward of unused tax losses and carryforward of unused tax credits 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 only 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 if it is necessary to make adjustments 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 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 2.2.13, 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 (see Note 34).

2.2.11 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).

2.2.12 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 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 Group 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, 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).

2.2.14 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.

2.2.15 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 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 be added to the gross carrying amount of the debt instrument.

  b. The interest income accrued after the initial recognition will be added to the gross carrying amount of the debt instrument until it will be received.

  In the event that a debt instrument is considered impaired, interest income will be calculated by applying the effective interest rate to the amortized cost (that is, adjusting for any impairment loss) of the financial 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 be added to 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 at the time the right to receive them arises, which is the time of the official announcement of receipt of the payment by the appropriate governing body of the entity. 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.

– Income from commissions collected/paid:

  Financial fees are an integral part of the actual performance of a financing transaction and are collected in advance. They can be:

  a. Fees charged for the origination or acquisition of financing transactions that are not measured at fair value through profit or loss, such as those charged for the evaluation of the borrower's financial condition, for the analysis and recording of various collateral, as well as those charged for negotiating the terms of transactions or preparing and processing documentation and the closing of transactions, will be deferred and recognized over the life of the transaction as an adjustment to the performance of the transaction. These fees, forming part of the effective rate of the loans, will be deferred and recognized over the life of the transaction as an adjustment to the performance of the transaction.

  b. Fees agreed as compensation for the commitment to grant financing when it is not measured at fair value through profit or loss and it is probable that the Group will enter into a specific loan agreement, are deferred and recognized over the life of the transaction as an adjustment to the performance of the transaction. If the commitment expires before the entity makes the loan such fee is recognized as revenue at the time of expiration.

  Non-financial commissions derived from the provision of financial services other than financing transactions may be:

  a. Related to the performance of a service rendered over time (e.g. account administration fees or fees collected in advance for the issuance or renewal of credit cards), in which case they are recognized over time based on the degree of progress in providing the service.

  b. Related to the performance of a service rendered at a specific time (e.g. underwriting of securities, currency exchange, advice or syndication of a loan), in which they are recognized in the income statement at the time of collection.

- Non-financial income and expense:

  As a general rule, they are recognized on an accrual basis, that is, as the contractually committed goods or services are delivered or rendered and recognized as revenue over the life of the contract.

  In the event that consideration is received or there is a right to receive consideration without delivery of the contractually committed goods or services, a liability is recognized in the balance sheet until it is recognized in the income statement.

  In the case of collections and payments deferred over time, they are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

- 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.

- Deferred collections and payments:

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

2.2.16 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).

2.2.17 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 2.2.18). 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 2.2.18). 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, 2023, 2022 and 2021, 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 2.2.18).

2.2.18 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 has been 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 "Financial Reporting in Hyperinflationary Economies", 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 "Financial Reporting in Hyperinflationary Economies", 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 21), 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 with "Accumulated other comprehensive income (loss)" as counterparty.

- Consequently, the different lines of the income statement, within equity, 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 "Effects of Changes in Foreign Exchange Rates".

Turkey

The combined result derived from the application of the above criteria amounts to a loss of €2,610 million in 2023, of which €2,242 million is attributable to owners of the parent (€1,793 million attributable to owners of the parent in 2022). This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €2,118 million and is recorded in the line “Other operating expense” in the consolidated income statement (€2,323 million in 2022), partially offset by the positive impact of the revaluation of certain bonds linked to inflation, for a gross amount of €1,202 million (€1,490 million in 2022), given that, under IAS 29 "Financial Reporting in Hyperinflationary Economies", these types of bonds are considered protective assets (see Note 42).

During 2023 the impact on equity of Group entities located in Turkey derived from the application of IAS 29 and the conversion to the euro (IAS 21) amounted to €-355 million, of which €-306 million have been recorded within “Equity – Accumulated other comprehensive income (loss)”, and €-49 million within “Minority interests – Accumulated other comprehensive income (loss)” (see Note 30). In 2022 the impact on equity of Group entities located in Turkey derived from the retrospective application of IAS 29 "Financial Reporting in Hyperinflationary Economies" since January 1, 2022, in the Turkish subsidiaries which led to an increase in equity of €130 million, mainly the result of the revaluation of tangible assets and inflation-linked bonds.

According to the Turkish Statistical Institute (Turkstat), accumulated inflation in 2023 stood at 64.8% (64.3% and 36.1% in 2022 and 2021, respectively) and the exchange rate used as of December 31, 2023 was 32.65 Turkish lira per euro (19.96 and 15.23 in 2022 and 2021, respectively).

Argentina

The combined result derived from the application of the above criteria amounted to a loss of €2,314 million, of which €1574 million is attributable to owners of the parent in 2023 (€694 million and €258 million attributable to owners of the parent in 2022 and 2021, respectively). This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €1,062 million and is recorded in the line “Other operating expense” in the consolidated income statement in 2023 (€822 million and €394 million in 2022 and 2021, respectively).

Furthermore, during 2023, 2022 and 2021 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 €-634 million, €242 million and €337 million, respectively, of which €-428 million, €157 million and €225 million, respectively, have been recorded within “Equity – Accumulated other comprehensive income (loss)”, and €-206 million, €84 million and €112 million, respectively, within “Minority interests – Accumulated other comprehensive income (loss)” (see Note 30).

Accumulated inflation estimated by the National Census Institute of Argentina (Indec) and BBVA Research for the year 2023 was 215% (97.0% and 50.7% in 2022 and 2021, respectively) and the exchange rate used as of December 31, 2023 was 892.81 Argentine pesos per euro (188.51 and 116.37 in 2022 and 2021, respectively).

Venezuela

The combined result derived from the application of the above criteria amounted to a loss of €18 million, of which €10 million is attributable to owners of the parent in 2023 (€6 million and €6 million attributable to owners of the parent in 2022 and 2021, 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 2023 (in 2022 and 2021 this result amounted to €28 and €14 million, respectively).

During 2023, 2022 and 2021 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 2023, as estimated by BBVA Research, was 111% (292% and 333% in 2022 and 2021, respectively) and the exchange rate used as of December 31, 2023 was 43.23 Venezuelan bolivars per euro (19.79 and 5.36 in 2022 and 2021, respectively).

2.3 Recent IFRS pronouncements

Standards and interpretations that became effective in 2023

In 2023, various amendments to the IFRS standards or their interpretations or modifications (hereinafter “IFRIC” or "interpretation") became effective, among which the following should be highlighted:

Entry into force of IFRS 17 – Insurance contracts

Initial application

The Group has applied IFRS 17 to "Insurance contracts", and subsequent amendments, as of January 1, 2023. As IFRS 17 requires at least one year of comparative information, the financial information has been restated from January 1, 2022 to December 31, 2022 (see Appendix XIII). IFRS 17 has superseded IFRS 4 as the accounting standard applicable to the recognition, measurement and disclosure of contracts that transfer significant insurance risk, based on a model that uses updated assumptions at each reporting period, with the objective of achieving greater homogeneity and increase comparability between entities.

BBVA Group has developed an accounting policy on insurance contracts under IFRS 17 and an operational guide to govern the calculation process, which seeks to ensure adequate control in the preparation of the consolidated financial information. Note 2.2.8 of this consolidated financial statements includes a non-exhaustive summary of the main judgments and estimates, as well as the accounting policy options applied.

The application of IFRS 17 has not had a significant impact on the consolidated financial statements of the BBVA Group (see Appendix XIII). The main differences in accounting with respect to the previous standard come from long-term contracts, and have been recorded in "Accumulated other comprehensive income (loss)" and "Retained earnings". In short-term contracts there are no significant differences in their accounting with respect to the previous regulations, nor a significant equity impact in initial application. The impact on the Group´s onerous products has been not significant.

During 2022, a generalized neutral effect has been observed in the results, comparing those expressed under IFRS 4 with those restated under IFRS 17, except in specific cases, the impact of which has been recorded in "Retained earnings". For its part, the evolution of interest rates throughout the year 2022 included, in "Accumulated other comprehensive income (loss)", the net effect of the change in the fair value of the liabilities under insurance and reinsurance contracts and the associated financial assets.

All insurance contracts that were under the scope of IFRS 4 met the definition of an insurance contract under the new standard and therefore, the introduction of IFRS 17 has not led to any reclassification, with the exception of certain products of BBVA Seguros, S.A de Seguros y Reaseguros, which do not transfer significant insurance risk, and therefore, are valued under IFRS 9.

Transition

Among the liabilities under insurance contracts held as of the transition date, January 1, 2022, those corresponding to long-term commitments to which the General Model has been applied, were 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 consolidated balance sheet and their remaining duration. The fair value approach contemplates the determination of the contractual service margin or the loss component of the liability for the remaining coverage, based on the difference between the fair value based on the requirements of IFRS 13 "Fair value measurement" and the present value of the fulfillment cash flows based on IFRS 17. The application of the fair value in transition criteria 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 opted for. On the other hand, short-term contracts valued under the Simplified Model have been valued, in transition, using the full retrospective approach.

Redesignation of financial assets

On the date of initial application of IFRS 17, as the BBVA Group was already applying IFRS 9, it has accepted the option of reassessing the classification of financial assets associated with insurance contracts within the scope of IFRS 17, redesignating as of January 1, 2022 certain financial assets previously classified in the portfolio of "Financial assets at amortized cost" to "Financial assets at fair value through other comprehensive income (loss)", considering that the business model that best suited the objectives of the insurance contracts to which these investments are subject is to obtain the contractual cash flows and sell such financial assets (see Appendix XIII).

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

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

Amendment IAS 12 – Income taxes

The IASB issued an amendment to IAS 12 to clarify that entities should recognize deferred tax arising on transactions such as leases or decommissioning obligations. The amendment requires entities to recognize a deferred tax asset and liability separately when the temporary differences arising in the recognition of an asset and a liability are the same, not being possible to apply the initial recognition exception provided for in the standard. The purpose of the amendments has been to reduce the diversity in the presentation of information on deferred taxes in said transactions. The modification entered into force on January 1, 2023, although its early application was allowed, with no significant impact on the consolidated financial statements of the BBVA Group.

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

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

In May 2023, the IASB published an amendment to IAS 12 to clarify the accounting treatment of this initiative on the results arising from tax legislation enacted or substantively enacted in relation to Pillar Two in those jurisdictions where the aforementioned groups are present. This amendment states the following:

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

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

These amendments to IAS 12 came into force on January 1, 2023, and have had no impact on the consolidated financial statements of the BBVA Group, since the Pillar Two legislation was not in force at the date of presentation of these financial statements. In any case, the BBVA Group will apply the mandatory exception to the recognition and disclosure of deferred tax assets and liabilities in relation to Pillar Two.

Notwithstanding the foregoing, the information required by IAS 12 on the exposure that the Group expects to derive from this new regulation once it comes into force is provided below.

On December 22, 2022, the Council of the European Union adopted Directive 2022/2523 (hereinafter "the Directive"), incorporating the Model Standards into the European legal framework. The Directive incorporates, with some exceptions, the content of the aforementioned Standards and sets December 31, 2023 as the deadline for their transposition by the Member States. It also stipulates that the corresponding provisions must enter into force for financial years beginning on or after that date.

As a result, affected groups (those with consolidated net sales of EUR 750 million or more in two of the last four years) must calculate their effective tax rate for Pillar Two purposes for each jurisdiction in which they operate. In those cases in which the effective rate, calculated in accordance with the provisions of the Directive, is less than 15%, they will have to pay a Complementary Tax in order to reach that 15%.

At the date of preparation of these financial statements, the process of transposition of the Directive into Spanish legislation is still in progress. However, in line with the provisions of the Preliminary Draft Bill submitted for public information, it is expected to take effect for tax periods beginning on or after December 31, 2023 and, therefore, with respect to the BBVA Group, from the next tax year beginning on January 1, 2024.

In the remaining jurisdictions of greater relevance to the Group (Mexico and Turkey), the corresponding legislation is still pending and there is no certainty, at the date of preparation of these financial statements, as to whether such processing will take place and, if so, what will be the effective date of the resulting legislation.

At year-end 2023, the Group is in the process of assessing its exposure to the Pillar Two legislation. At the date of preparation of these financial statements, this assessment has been carried out as a preliminary exercise of the Group's exposure to Pillar Two based on the consolidated figures of the Group in each of its constituent jurisdictions and the analysis of the Transitional Safe Harbor envisaged by the OECD, which is also contemplated in the Preliminary Draft Bill mentioned above.

As a result of this preliminary assessment, the effective tax rate in most of the jurisdictions in which the Group operates, with the exception of a small number of non-significant countries representing a small percentage of the BBVA Group's pre-tax profit, exceeds 15%.

In accordance with the above, based on the analysis carried out, at year-end 2023 the Group does not anticipate substantial economic impacts derived from the Complementary Tax that would arise as a consequence of the application of Pillar Two, once the corresponding legislation enters into force. The foregoing is without prejudice to the significant increase in the administrative burden derived from the formal compliance with this new tax regulation.

It should also be noted that the Group continues to monitor legislative developments in the jurisdictions where it is present, as well as to analyze the implications derived from the regulations, and is currently immersed in the Pillar Two implementation project.

Standards and interpretations issued but not yet effective as of December 31, 2023

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, 2023. The Group is currently evaluating the potential effects of each of these new standards or amendments. Although in some cases the IASB allows early application of new standards, interpretations and amendments before their effective date, the BBVA Group has not proceeded with this option for any such changes.

Amendment to IFRS 16 "Leases"

The IASB has issued an amendment to IFRS 16 that clarifies the requirements for sale-and-leaseback transactions. The new requirements 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 January 1, 2024, with early application permitted. No significant impact is expected on the BBVA Group´s consolidated financial statements.

Amendment to IAS 21 - "Effects of Changes in Foreign Exchange Rates"

On August 15, 2023, the IASB issued a series of amendments to IAS 21 - The effect of changes in exchange rates. The standard has a double objective, on the one hand to provide guidance on when one currency is convertible into another and, second, how to determine the exchange rate to be used in accounting when it is concluded that such convertibility does not exist.

In relation to the first objective, one currency is convertible into another when an entity can obtain the other currency within a time frame that allows for a normal administrative delay; and through markets or exchange mechanisms in which an exchange transaction creates enforceable rights and obligations. If the entity determines that there is no convertibility between currencies, it must estimate an exchange rate. The standard does not establish a specific estimation technique for them, but rather establishes guidelines for their determination, allowing the use of an observable type without adjusting or using an estimation technique.

The modification to the standard will come into force on January 1, 2025. Early application is permitted, although the BBVA Group has not adopted it as of December 31, 2023. The Group has been applying since 2015 an estimated exchange rate (see Note 2.2.17 of these consolidated Financial Statements) analogous to the determination process described in this standard for the financial statements of the Group's companies located in Venezuela given the lack of convertibility of its currency.

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, 2023:

- 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, 2023, 2022 and 2021, broken down by the Group's entities according to their activity:

Contribution to Consolidated Group total assets. Entities by main activities (Millions of Euros)

	2023	2022 (1)	2021
Banking and other financial services	737,971	678,809	631,683
Insurance and pension fund managing companies	34,520	30,066	29,657
Other non-financial services	3,068	3,217	1,545
Total	**775,558**	**712,092**	**662,885**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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, 2023 (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 and the broker-dealer business BBVA Securities Inc.

- 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 2023

During the year 2023 no significant corporate transactions have been carried out.

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, 29.2% of the share capital of the Company (30.1% as of December 31, 2023). 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[3] 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.

[3] 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.

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[4] 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 "Financial Reporting in Hyperinflationary Economies", see Note 2.2.18). 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, 2022) 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 2.2.18 to these Consolidated Financial Statements.

Significant transactions in the Group in 2021

Divestitures

Sale of BBVA's U.S. Bancshares, Inc. to PNC Financial Service Group

On June 1, 2021, after obtaining all the required authorizations, BBVA completed the sale to The PNC Financial Services Group, Inc. of 100% of the capital stock of its subsidiary BBVA USA Bancshares, Inc., which in turn owned all the capital stock of the bank, BBVA USA.

The consideration received in cash by BBVA, as a consequence of the referred sale, amounted to approximately USD 11,500 million (price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately €9,600 million (with an exchange rate of 1.20 EUR / USD).

The accounting of both the results generated by BBVA USA Bancshares, Inc. since the announcement of the transaction and of its closing had an aggregate positive impact on the BBVA Group's Common Equity Tier 1 (fully loaded) ratio of approximately 294 basis points, which includes the generation of capital contributed by the subsidiary to the Group until the closing of the transaction (on June 1, 2021) and a profit net of taxes of €582 million. The calculation of the impact on Common Equity Tier 1 was made taking into account the amount of the transaction in euros and BBVA Group's financial statements as of June 2021.

The BBVA Group continues to develop the institutional and wholesale business in the United States that it currently carries out through its broker-dealer BBVA Securities Inc. and its branch in New York. BBVA also maintains its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P.

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.

4. Shareholder remuneration system

Shareholder remuneration during financial year 2021

Cash distributions

In the context of the COVID-19 pandemic 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.

[4] Using the effective exchange rate of 16.14 Turkish lira per euro.

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

In line with the above, BBVA communicated by means of an Inside Information on September 30, 2021 that the Board of Directors of BBVA had approved the payment of a cash interim dividend of €0.08 gross (€0.0648 net of withholding tax) per each outstanding BBVA share on account of the 2021 dividend. The total amount paid to shareholders on October 12, 2021, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €532 million and is recognized under the heading "Shareholder's funds - Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2021.

Amendment of Shareholder Remuneration Policy

BBVA's Board of Directors announced by means of Relevant Information, on November 18, 2021, the amendment of the Group's shareholder remuneration policy (announced on February 1, 2017 by means of Relevant Information), 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, 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 Shareholders' Meeting of BBVA held on March 18, 2022, approved, under item 2 of the Agenda, a cash distribution from the voluntary reserves account as additional shareholder remuneration for the 2021 fiscal year, for an amount equal to €0.23 (€0.1863 net of withholding tax) per outstanding BBVA share entitled to participate in this distribution, which was paid on April 8, 2022. The total amount paid, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €1,463 million.

- The Board of Directors communicated by means of an Inside Information on September 29, 2022 that the Board of Directors of BBVA approved the payment of a cash interim dividend of €0.12 (€0.0972 net of withholding tax) per outstanding BBVA share against 2022 results. The total amount paid to shareholders on October 11, 2022, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €722 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2022.

Shareholder remuneration during financial year 2023

Cash distributions

During the 2023 financial year, the Annual General Shareholders' Meeting and the Board of Directors approved the payment of the following cash amounts:

- The Annual General Shareholders´ Meeting of BBVA held on March 17, 2023, approved, under item 1.3 of the Agenda, a cash distribution against the 2022 results as a final dividend for the 2022 fiscal year, for an amount equal to €0.31 (€0.2511 net of withholding tax) per outstanding BBVA share entitled to participate in this distribution, which was paid on April 5, 2023. The total amount paid, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €1,857 million.

- The Board of Directors, at its meeting held on September 27, 2023, resolved the payment of a cash interim dividend of €0.16 (€0.1296 net of withholding tax) per outstanding share on account of the 2023 dividend, to be paid on October 11, 2023. The total amount paid, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €951 million.

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 27, 2023 was the following:

Available amount for interim dividend payments (Millions of Euros)

	August 31, 2023
Profit of BBVA, S.A., after the provision for income tax	3,946
Maximum amount distributable	**3,946**
Amount of proposed interim dividend	**954**
BBVA cash balance available to the date	**40,855**

Other shareholder remuneration

On January 30, 2024, it was announced that a cash distribution in the amount of €0.39 gross per share to be paid in April as a final dividend for the year 2023 and the execution of a share buyback program of BBVA for an amount of €781 million were planned to be proposed to the corresponding corporate bodies for consideration as ordinary remuneration to shareholders for 2023, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution.

Share buyback program

Share buyback programs in 2021 and 2022

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 Shareholders' Meeting held on March 16, 2018, at its meeting of October 28, 2021, BBVA Board of Directors resolved to carry out a share buyback program scheme in compliance with Regulation (EU) no. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse and Commission Delegated Regulation (EU) no. 2016/1052 of the Commission, of March 8, 2016 (the “Regulations”), 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 March 18, 2022, through the reduction of BBVA’s share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Tranche and which were held in treasury shares (see Notes 26, 27, 28 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 (unfinished as of that date).

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, 28 and 29).

The Program Scheme was considered as an extraordinary shareholder distribution and was therefore not included in the scope of the shareholder remuneration policy described above.

Share buyback programs in 2023

On February 1, 2023, BBVA announced, among others, that it was planned to submit for the consideration of the corresponding BBVA governing bodies the execution of a €422 million share buyback program as ordinary distribution in relation to the 2023 results, subject to obtaining the corresponding regulatory authorizations and to the communication of the specific terms and conditions of the share buy-back program before its execution, as an ordinary distribution of 2023. On March 17, 2023, after receiving the required authorization from the ECB, BBVA announced through an Inside Information notice the execution of a time-scheduled buyback program for the repurchase of own shares in accordance with the Regulations, aimed at reducing BBVA's share capital by a maximum monetary amount of €422 million. The execution was carried out internally by BBVA, executing the trades through BBVA. By means of an Other Relevant Information notice dated April 21, 2023, BBVA announced the completion of the share buyback program upon reaching the maximum monetary amount of €422 million, having acquired 64,643,559 own shares, between March 20 and April 20, 2023, representing, approximately, 1.07% of BBVA's share capital as of said date.

On June 2, 2023, BBVA notified through an Other Relevant Information notice a partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 17, 2023, under item 3 of the agenda through the reduction of BBVA's share capital in a nominal amount of €31,675,343.91 and the consequent redemption, charged to unrestricted reserves, of 64,643,559 own shares of €0.49 par value each acquired derivatively by BBVA in execution of the share buyback program scheme and which were held in treasury shares (see Notes 26, 27, 28 and 29).

On July 28, 2023, BBVA communicated through Inside information its request to the ECB for the correspondent supervisory authorization in order to carry out a share buyback program up to €1,000 million, subject to the authorization requested being granted, to the adoption of the corresponding corporate resolutions and to the communication of the specific terms and conditions of the share buyback program before its execution. This share buy-back program was considered as an extraordinary shareholder distribution. On October 2, 2023, after receiving the required authorization from the ECB, BBVA announced that it would implement a buyback program for the repurchase of own shares in accordance with the Regulations, aimed at reducing BBVA's share capital by a maximum monetary amount of €1,000 million. The execution was carried out internally by BBVA, executing the trades through BBVA.

By means of an Other Relevant Information notice dated November 29, 2023, BBVA announced the completion of the share buyback program upon reaching the maximum monetary amount of €1,000 million, having acquired 127,532,625 own shares, between October 2 and November 29, 2023, representing, approximately, 2.14% of BBVA's share capital as of said later date.

On December 19, 2023, BBVA notified through an Other Relevant Information notice the second partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 17, 2023, under item 3 of the agenda through the reduction of BBVA's share capital in a nominal amount of €62,490,986.25 and the consequent redemption, charged to unrestricted reserves, of 127,532,625 own shares of €0.49 par value each acquired derivatively by BBVA in execution of the share buyback program scheme and which were held in treasury shares (see Notes 26, 27, 28 and 29).

Proposal on allocation of earnings for 2023

Below is included a breakdown of the distribution of the Bank´s earnings for financial year 2023, which the Board of Directors will submit to the Annual General Shareholders' Meeting for approval.

Allocation of earnings (Millions of Euros)	2023
Profit (loss) for the year	**4,807**
Distribution	
Interim dividends	952
Final dividend	2,277
Reserves / Accumulated gains	1,579

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

	2023	2022 (1)	2021
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	8,019	6,358	4,653
Adjustment: Additional Tier 1 securities (2)	(345)	(313)	(359)
Profit adjusted (millions of euros) (A)	**7,675**	**6,045**	**4,293**
Profit (loss) from continued operations (net of remuneration of Additional Tier 1 capital instruments)	7,675	6,045	4,014
Profit (loss) from discontinued operations (net of non-controlling interests) (B)	—	—	280
Denominator for basic earnings per share (number of shares outstanding)			
Weighted average number of shares outstanding	5,988	6,424	6,668
Average treasury shares	(5)	(9)	(12)
Share buyback program (3)	(28)	(225)	(255)
Adjusted number of shares - Basic earnings per share (C)	**5,954**	**6,189**	**6,401**
Adjusted number of shares - diluted earnings per share (D)	**5,954**	**6,189**	**6,401**
Earnings (losses) per share	**1.29**	**0.98**	**0.67**
Basic earnings (losses) per share from continuing operations (Euros per share) A-B/C	1.29	0.98	0.63
Diluted earnings (losses) per share from continuing operations (Euros per share) A-B/D	1.29	0.98	0.63
Basic earnings (losses) per share from discontinued operations (Euros per share) B/C	—	—	0.04
Diluted earnings (losses) per share from discontinued operations (Euros per share) B/D	—	—	0.04

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Remuneration in the year related to perpetual contingent convertible securities, recognized in equity (see Note 22.4).
(3) For the calculation of earnings per share: (i) in 2023 the average number of shares takes into account the two redemptions made corresponding to the shares buyback programs announced in that year; (ii) in 2022 the average number of shares takes into account the two redemptions made corresponding to the shares buyback program announced in that 2021; and (iii) in the year 2021, the average number of shares takes into account 112 million shares acquired under the shares buyback program and the estimated number of shares pending to be acquired under the first tranche as of December 31, 2021 (see Note 4).

As of December 31, 2023, 2022 and 2021, there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same.

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's Management and, ultimately, into the reportable operating segments themselves.

As of December 31, 2023, the structure of the information by operating segments reported by the BBVA Group remains the same as that as of the closing of the 2022 financial year.

The BBVA Group's areas or operating segments are summarized below:

- Spain includes mainly the banking, insurance and asset management businesses that the Group carries out in Spain.

- Mexico includes the banking, insurance and asset management businesses 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 businesses 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, 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, 2023, 2022 and 2021 is as follows:

Total Group assets by operating segments (Millions of Euros)

	2023	2022 (1)	2021
Spain	457,624	427,116	413,430
Mexico	173,489	142,557	118,106
Turkey	68,329	66,036	56,245
South America	64,779	61,951	56,124
Rest of Business	64,274	49,952	40,328
Subtotal assets by operating segments	**828,495**	**747,613**	**684,233**
Corporate Center and adjustments	(52,936)	(35,520)	(21,348)
Total assets BBVA Group	**775,558**	**712,092**	**662,885**

(1) Restated balances according to IFRS 17 - Insurance contracts, which had no material impacts as of that date (see Notes 1.3 and 2.3).

The following table sets forth certain summarized information relating to results of each operating segment and Corporate Center for the years ended December 31, 2023, 2022 and 2021:

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)
2023							
Net interest income	23,089	5,620	11,054	1,869	4,394	539	(386)
Gross income	29,542	7,888	14,267	2,981	4,331	1,103	(1,029)
Operating profit (loss) before tax	12,419	3,947	7,359	1,325	1,206	479	(1,898)
Net attributable profit (loss) (2)	**8,019**	**2,755**	**5,340**	**528**	**613**	**389**	**(1,607)**
2022 (3)							
Net interest income	19,124	3,774	8,378	2,611	4,138	332	(109)
Gross income	24,743	6,112	10,734	3,172	4,265	790	(329)
Operating profit (loss) before tax	10,268	2,610	5,620	1,636	1,434	277	(1,309)
Net attributable profit (loss) (2)	**6,358**	**1,667**	**4,131**	**505**	**738**	**240**	**(922)**
2021							
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)**

(1) Adjustments include: (I) the impact of the purchase of offices in Spain in 2022 in the transaction with Merlin Properties (see Note 17); and (II) the costs associated with the collective layoff procedure and the closing of offices in 2021 (see Note 24).

(2) See Note 55.2.

(3) Restated according to IFRS 17 - Insurance contracts, which had no material impacts for such period (see Notes 1.3 and 2.3).

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, measures are taken to seek 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, the alteration of the institutional environment of the countries in which it operates, and the Group is exposed to sovereign debt especially in Spain, Mexico and Turkey.

The global economy is currently facing a number of extraordinary challenges. The war in Ukraine and the sanctions imposed against and by Russia have led to significant disruption, instability and volatility in global markets, as well as higher inflation and lower economic growth, mostly due to higher energy prices, which have stabilized more recently.

Although oil and gas prices have reduced and financial volatility has eased, there is still a risk that geopolitical tensions lead to additional increases in input prices and financial instability, particularly following the tensions triggered by the armed conflict in the Middle East, including the recent disruptions to maritime trade routes in the Red Sea.

Another global macroeconomic risk is the possibility of a sharp growth slowdown in China, which could lead to lower GDP expansion than currently expected in many geographies. Although it may be possible to offset part of the expected growth slowdown through the adoption of certain fiscal, monetary and regulatory measures by the authorities, there are risks related to tensions in the real estate markets and the possible effects of the United States economic sanctions, among others.

Geopolitical and economic risks have also increased in recent years as a result of trade tensions between the United States and China, Brexit, and the rise of populism, among other factors. Growing tensions may lead, among other 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.

Moreover, the world economy could be vulnerable to other factors, such as a restrictive monetary policy, in a context of relatively high inflationary pressures, which could cause a significant growth slowdown - and, even, a sharp economic recession - as well as new episodes of financial stress.

The Group's results of operations have been particularly affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in both interest revenue and interest expenses. In addition, the persistence of high interest rates could adversely affect the Group by reducing the demand for credit and leading to an increase in the default rate of its borrowers and other counterparties. On the other hand, the process of reducing interest rates has already begun in many geographies and could begin by mid-2024 in the United States and the Eurozone as well. Moreover, the Group's results of operations have been affected by the high inflation in all countries in which BBVA operates, especially Turkey and Argentina.

The Group is exposed, among others, to the following general risks with respect to the economic and institutional environment in the countries 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; a significant increase in oil and gas prices, which would 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, which 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; 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 such debt; and episodes of volatility in the financial markets, which could cause significant losses for the Group. In particular, in Argentina, the risk of economic and financial turbulence persists in a context of regulatory, economic and political uncertainty, and in which the adjustments announced by the new government to correct the high economic distortions, including a strong fiscal adjustment and a significant exchange rate depreciation, have further reinforced short-term inflationary pressures. In Spain, political, regulatory and economic uncertainty has also increased since the July general elections; there is a risk that policies could have an adverse impact on the economy. In Mexico, uncertainty is related mainly to the June 2024 elections and the possible policies of the new government. Finally, in Colombia and Peru, climatic factors and greater social conflict could eventually have a negative impact on the economy.

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).

There are increasing signs of normalization in economic policy in general, and monetary policy in particular, since the general elections held in May 2023, which may lead to a gradual correction of the current distortions. Despite the gradual improvement of macroeconomic conditions, the situation remains relatively unstable, characterized by a gradual depreciation of the Turkish lira, high inflation, a significant trade deficit, low central bank's foreign reserves and high external financing costs. The earthquakes of February 2023 deepened Turkey's economic struggles. In addition to the vast human losses caused by it, the earthquakes added pressure on inflation as well as the external and fiscal balances. Continuing unfavorable economic conditions in Turkey may result in a potential deterioration in the purchasing power and creditworthiness of the clients of the Group (both individuals and corporations). In addition, the relatively low official interest rates (despite the recent upward adjustments) in a context of still high inflation, the regulatory and macroprudential policies affecting the banking sector and currency depreciation have affected and may continue to affect the Group's results.

Additionally, certain geopolitical factors, such as the war in Ukraine and the armed conflict in the Middle East, and internal political developments, generate uncertainty about the evolution of the economy and could trigger scenarios of greater instability.

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.

– 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 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.

– New business and 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.

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. 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, 2023, the Group had €696 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 €539 million correspond to legal contingencies and €158 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 BBVA. On July 29, 2019, BBVA was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. 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. Since the beginning of the investigation, BBVA has been proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As at the date of this Annual Report, no formal accusation against BBVA has been made.

By order of the Criminal Chamber of the National High Court, the pre-trial phase ended on January 29, 2024. It is not possible at this time to predict the possible outcomes or implications for the Group of this matter, including any fines, damages or harm to the Group's reputation caused thereby.

— Risks in connection with climate change

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

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

- Legal and regulatory risks: Legal and regulatory changes related to how banks are required to manage climate risk or otherwise affecting banking practices or disclosure of climate-related information may result in higher compliance, operational and credit risks and costs. Further, legal and regulatory changes may result in legal uncertainty and the existence of overlapping or conflicting regulatory or other requirements. The Group or its customers or counterparties may be unable to meet any new requirements on a timely basis or at all. Further, changes in law, including new product and service specifications, may result in the sudden devaluation of certain assets. Any of these risks may affect the Group and its customers and counterparties. In addition, in the case of banks, new regulation could include requirements related to lending, investing, capital and liquidity adequacy and operational resilience. The incorporation of climate risks in the existing prudential framework is still developing and may result in increased risk weighting of high-carbon-related assets. Moreover, there are significant risks and uncertainties inherent in the development of adequate climate change-related risk assessment and modelling capabilities and the collection of customer, third party and other data, which may result in the Group's systems or frameworks (or those of its customers and counterparties, where applicable) being inadequate, inaccurate or susceptible to incorrect customer, third party or other data, any of which could adversely affect the Group's disclosure and financial reporting. Further, increased regulation arising from climate change could result in increased litigation and regulatory investigations and actions.

- Technological risks: Certain of the Group's customers and counterparties may be adversely affected by the progressive transition to a low-carbon economy and/or risks and costs associated with new low-carbon technologies. If our customers and counterparties fail to adapt to the transition to a low-carbon economy, or if the costs of doing so adversely affect their creditworthiness, this could adversely affect the Group's relevant loan portfolios.

- Market risks: The Group and certain of the Group's customers and counterparties may be adversely affected by changes in market preferences due to, among others, increasing climate change awareness. Further, the funding costs of businesses that are perceived to be more exposed to climate change could increase. Any of this could result in the reduced creditworthiness of such customers and counterparties, adversely affecting the Group's relevant loan portfolios. The Group and its customers and counterparties could also be adversely affected by changes in prices resulting from shifts in demand or supply brought by climate change, including prices of energy and raw materials, or by their inability to foresee or hedge any such changes.

- Reputational risks: The perception of climate change as a risk by society, shareholders, customers, governments and other stakeholders continues to increase, including in relation to the financial sector's activities. This may result in increased scrutiny of the Group's activities, as well as its climate change-related policies, goals and disclosure. The Group's reputation and ability to attract or retain customers may be harmed if its efforts to reduce environmental and social risks are deemed to be insufficient or if a perception is generated among the different stakeholders that the Group's statements, actions or disclosure do not fairly reflect the underlying sustainability profile of the Group, its products, services, goals and/or policies. The Group may elect not to undertake lending or investing activities that would otherwise have been profitable in order to avoid reputational harm. Further, divergent views on ESG policies may also have a negative impact on the Group's reputation. Increased scrutiny of the Group's activities, as well as its climate change-related policies, goals and disclosure may result in litigation and regulatory investigations and actions. The Group has disclosed certain aspirational climate-related goals and such goals, which are being pursued over the long-term, may prove to be considerably more costly or difficult than currently expected, or even impossible, to achieve, including as a result of changes in environmental and energy regulation and policy, the pace of technological change and innovation and the actions of governments, Group's customers and competitors.

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

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 support measures to its customers in all the geographical 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. The measures adopted in 2022 which remained in force in 2023 were limited to Spain. In Peru, the deadline for requesting extensions of the Reactiva program ended on September 30, 2023 and to the date of the preparation of these Consolidated Financial Statements no extension has been published.

In addition in Spain, in March 2022, the Council of Ministers (RDL 6/2022) approved a line of financing with public guarantees of 70% and 80% of the principal amount of loans for self-employed and enterprises in order to alleviate the liquidity tensions due to increases in energy prices and raw materials, available until December 2023.

Finally, the Code of Good Practices, regulated by Royal Decree Law 6/2012, as well as its successive amendments, establishes a Code of Good Practices that eases the impact of interest rates hikes on mortgage loans related to primary residences and provides for other structural measures aiming to ease access to lending. As of the date of the preparation of these Consolidated Financial Statements, the number and amount of the transactions granted to clients in accordance with the Code of Good Practices have been low.

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 130% to 250% for the relative threshold and from 30 to 100 basis points for the absolute threshold. Specifically, in BBVA, S.A.'s wholesale portfolio the relative threshold is from 180% to 200% and the absolute threshold ranges from 30 to 100 basis points; in the retail portfolio the relative threshold is 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.

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.

BBVA Research produces 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, BBVA Research produces 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 forward-looking information incorporated in the calculation of expected losses is in line with the macroeconomic perspectives published by BBVA Research, which are quarterly updated.

BBVA Research forecasts a maximum of five years for the macroeconomic variables. The following forecasts (positive base and negative 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, provided by BBVA Research, were used for the calculation of the ECL as of December 31, 2023:

Positive scenario of GDP, unemployment rate and HPI for the main geographical areas

	Spain			Mexico			Turkey	
Date	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2023	2.52 %	11.84 %	(1.61) %	3.62 %	2.80 %	5.44 %	5.54 %	9.31 %
2024	2.12 %	10.32 %	0.89 %	3.79 %	3.11 %	4.98 %	7.11 %	8.82 %
2025	2.70 %	9.58 %	2.96 %	2.68 %	3.07 %	4.41 %	4.33 %	9.86 %
2026	2.55 %	8.81 %	2.11 %	2.67 %	3.04 %	4.14 %	3.92 %	10.68 %
2027	2.34 %	8.22 %	2.14 %	2.76 %	2.99 %	4.20 %	3.58 %	10.95 %
2028	2.13 %	7.67 %	1.88 %	2.85 %	2.87 %	5.09 %	3.58 %	11.01 %

	Peru		Argentina		Colombia	
Date	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2023	0.33 %	6.85 %	(1.82) %	8.05 %	1.59 %	10.06 %
2024	4.57 %	6.63 %	0.42 %	9.46 %	2.80 %	10.99 %
2025	4.22 %	6.54 %	6.93 %	9.23 %	2.59 %	11.27 %
2026	2.88 %	6.35 %	3.13 %	8.34 %	3.03 %	11.03 %
2027	2.72 %	6.32 %	2.11 %	7.23 %	3.24 %	10.35 %
2028	2.51 %	6.28 %	2.13 %	6.11 %	3.42 %	9.90 %

Base scenario of GDP, unemployment rate and HPI for the main geographical areas

	Spain			Mexico			Turkey	
Date	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2023	2.36 %	12.13 %	(1.93) %	3.40 %	2.82 %	5.47 %	4.46 %	9.63 %
2024	1.48 %	11.80 %	(0.92) %	2.91 %	3.27 %	4.90 %	3.50 %	10.28 %
2025	2.47 %	11.20 %	1.94 %	2.41 %	3.25 %	4.24 %	3.54 %	10.85 %
2026	2.53 %	10.40 %	1.74 %	2.60 %	3.18 %	4.14 %	3.79 %	11.05 %
2027	2.34 %	9.63 %	1.69 %	2.74 %	3.11 %	4.18 %	3.46 %	11.15 %
2028	2.13 %	8.98 %	1.43 %	2.83 %	2.99 %	5.07 %	3.46 %	11.20 %

	Peru		Argentina		Colombia	
Date	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2023	(0.36) %	6.88 %	(3.01) %	8.28 %	1.24 %	10.11 %
2024	1.99 %	6.82 %	(4.04) %	10.48 %	1.47 %	11.25 %
2025	3.48 %	6.77 %	5.95 %	10.15 %	2.33 %	11.56 %
2026	2.88 %	6.55 %	3.03 %	8.95 %	3.03 %	11.32 %
2027	2.72 %	6.50 %	1.98 %	7.70 %	3.24 %	10.60 %
2028	2.51 %	6.46 %	2.00 %	6.60 %	3.42 %	10.09 %

Negative scenario of GDP, unemployment rate and HPI for the main geographical areas

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2023	2.21 %	12.40 %	(2.28) %	3.20 %	2.85 %	5.49 %	3.37 %	9.94 %
2024	0.86 %	13.23 %	(2.54) %	2.04 %	3.45 %	4.73 %	(0.33) %	11.73 %
2025	2.25 %	12.77 %	1.00 %	2.13 %	3.43 %	4.03 %	2.58 %	11.92 %
2026	2.48 %	11.98 %	1.22 %	2.53 %	3.33 %	4.00 %	3.71 %	11.43 %
2027	2.30 %	11.34 %	0.93 %	2.70 %	3.25 %	4.18 %	3.39 %	11.32 %
2028	2.09 %	10.57 %	0.67 %	2.79 %	3.13 %	5.07 %	3.39 %	11.36 %

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2023	(1.04) %	6.91 %	(4.16) %	8.49 %	0.87 %	10.15 %
2024	(0.60) %	7.03 %	(8.75) %	11.46 %	0.15 %	11.51 %
2025	2.73 %	7.02 %	4.77 %	11.04 %	2.03 %	11.84 %
2026	2.88 %	6.77 %	2.92 %	9.54 %	3.03 %	11.59 %
2027	2.72 %	6.71 %	1.82 %	8.17 %	3.24 %	10.90 %
2028	2.51 %	6.66 %	1.85 %	7.08 %	3.42 %	10.29 %

The estimate for the next five years of the following rates, used in the measurement of the expected loss as of December 31, 2022, consistent with the latest estimates made public at that date, was:

Positive scenario of GDP, unemployment rate and HPI for the main geographical areas

	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 geographical areas

	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 geographical areas

	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 %

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, 2023

	BBVA Group				Spain			Mexico			Turkey		
GDP	**Total Portfolio**	**Retail**	**Companies**	**Debt securities**	**Total Portfolio**	**Companies**	**Retail**	**Total Portfolio**	**Companies**	**Retail**	**Total Portfolio**	**Companies**	**Retail**
- 100 bps	222	188	28	2	61	14	47	94	2	92	22	9	11
+100 bps	(191)	(165)	(23)	(2)	(58)	(13)	(45)	(89)	(2)	(87)	(21)	(9)	(11)
Housing price													
- 100 bps						—	32						
+100 bps						—	(32)						

Expected loss variation as of December 31, 2022

	BBVA Group				Spain			Mexico			Turkey		
GDP	**Total Portfolio**	**Retail**	**Companies**	**Debt securities**	**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)			

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, including the relevant Global Risk Management Committee (among the GRMC committees) as described in the general risk management and control model chapter of the Consolidated Management Report.

Thus, in Spain, during 2021 and 2022, the Loss Given Default (LGD) of certain specific operations considered unlikely to pay was reviewed upwards, with a remaining adjustment as of December 31, 2023 of €227 million, with a €161 million decrease compared with the end of the year 2022 mainly as a result of the annual model review process. In addition, due to the earthquakes that affected an area in the south of Turkey, during the month of February 2023 the classification of the credit exposure recorded in the five most affected cities was reviewed, which led to its reclassification to Stage 2. As of December 31, 2023 the amounts recorded in Stage 2 amounted to €273 million on-balance sheet and €406 million off-balance sheet exposure, with allowances for losses of approximately €25 million at contract level.

On the other hand, as of December 31, 2023, the complementary adjustments pending allocation to specific operations or customers are not significant, after the utilization and/or release of most of the adjustments during 2023. As of December 31, 2022, the complementary adjustments pending allocation to specific operations or customers 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.

7.2.2 Credit risk exposure

BBVA Group's credit risk exposure by headings in the consolidated balance sheets as of December 31, 2023, 2022 and 2021 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to ensure compliance with payment obligations. The details are broken down by category of financial instruments:

Maximum credit risk exposure (Millions of Euros)	Notes	December 2023	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**106,749**			
Equity instruments	10	4,589			
Debt securities	10	28,569			
Loans and advances	10	73,590			
Non-trading financial assets mandatorily at fair value through profit or loss		**8,737**			
Equity instruments	11	7,963			
Debt securities	11	484			
Loans and advances	11	290			
Financial assets designated at fair value through profit or loss	**12**	**955**			
Derivatives (trading and hedging)		**48,747**			
Financial assets at fair value through other comprehensive income		**62,289**			
Equity instruments	13	1,217			
Debt securities		61,047	60,255	771	21
Loans and advances to credit institutions	13	26	26	—	—
Financial assets at amortized cost		**463,130**	**410,590**	**38,061**	**14,478**
Debt securities		49,544	49,403	108	32
Loans and advances to central banks		7,176	7,176	—	—
Loans and advances to credit institutions		17,498	17,478	18	2
Loans and advances to customers		388,912	336,533	37,935	14,444
Total financial assets risk		**690,606**			
Total loan commitments and financial guarantees		**214,283**	**204,842**	**8,411**	**1,030**
Loan commitments given	33	152,868	147,376	5,326	165
Financial guarantees given	33	18,839	17,612	998	229
Other commitments given	33	42,577	39,854	2,087	636
Total maximum credit exposure		**904,889**			

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2022 (1)	*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		**65,497**			
Equity instruments	13	1,198			
Debt securities		64,273	63,425	822	26
Loans and advances to credit institutions	13	26	26	—	—
Financial assets at amortized cost		**425,803**	**378,407**	**33,873**	**13,523**
Debt securities		36,730	36,463	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		368,588	321,528	33,568	13,493
Total financial assets risk		**622,965**			
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		**815,533**			

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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**			

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, 2023, 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, 2023, 2022 and 2021 is shown below:

December 2023 (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)	214,522	183,503	22,953	8,066	(4,593)	(503)	(714)	(3,375)	209,929	183,000	22,239	4,690
Mexico	91,086	81,619	6,995	2,472	(3,049)	(1,097)	(620)	(1,332)	88,037	80,522	6,375	1,140
Turkey (2)	39,058	34,105	3,234	1,719	(1,641)	(167)	(314)	(1,160)	37,416	33,938	2,920	559
South America (3)	43,151	36,237	4,738	2,176	(1,976)	(319)	(377)	(1,280)	41,175	35,918	4,362	896
Others	1,094	1,069	15	11	(10)	—	(1)	(8)	1,085	1,068	14	2
Total (4)	**388,912**	**336,533**	**37,935**	**14,444**	**(11,269)**	**(2,087)**	**(2,026)**	**(7,156)**	**377,643**	**334,446**	**35,909**	**7,287**
Of which: individual					*(1,665)*	*(15)*	*(471)*	*(1,179)*				
Of which: collective					*(9,604)*	*(2,072)*	*(1,555)*	*(5,977)*				

(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, 2023, the remaining balance was €142 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 2022 (1) (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 (2)	214,066	186,977	19,621	7,468	(4,860)	(518)	(759)	(3,583)	209,206	186,459	18,862	3,885
Mexico	73,729	66,448	5,342	1,939	(2,496)	(955)	(475)	(1,066)	71,233	65,494	4,866	873
Turkey (3)	39,547	32,755	4,436	2,356	(2,105)	(224)	(358)	(1,523)	37,443	32,531	4,078	833
South America (4)	40,199	34,312	4,166	1,721	(1,768)	(318)	(345)	(1,105)	38,431	33,994	3,821	615
Others	1,047	1,035	3	9	(8)	—	—	(7)	1,039	1,035	3	2
Total (5)	**368,588**	**321,528**	**33,568**	**13,493**	**(11,237)**	**(2,014)**	**(1,938)**	**(7,284)**	**357,351**	**319,513**	**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) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Spain includes all countries where BBVA, S.A. operates.
(3) Turkey includes all countries in which Garanti BBVA operates.
(4) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.
(5) 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.

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, 2023, 2022 and 2021 is shown below:

December 2023 (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	23,294	23,105	164	25	(29)	(9)	(12)	(7)	23,265	23,096	152	18
Other financial corporations	13,271	13,072	187	12	(20)	(9)	(4)	(7)	13,251	13,062	183	6
Non-financial corporations	175,337	154,519	15,299	5,520	(4,274)	(517)	(795)	(2,962)	171,063	154,002	14,503	2,558
Households	177,009	145,837	22,286	8,886	(6,946)	(1,552)	(1,214)	(4,180)	170,063	144,285	21,071	4,706
Loans and advances to customers	**388,912**	**336,533**	**37,935**	**14,444**	**(11,269)**	**(2,087)**	**(2,026)**	**(7,156)**	**377,643**	**334,446**	**35,909**	**7,287**

December 2022 [(1)] (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	170,929	149,501	15,087	6,340	(5,495)	(675)	(991)	(3,829)	165,433	148,826	14,096	2,511
Households	163,936	138,896	17,941	7,098	(5,675)	(1,316)	(925)	(3,434)	158,261	137,580	17,017	3,663
Loans and advances to customers	**368,588**	**321,528**	**33,568**	**13,493**	**(11,237)**	**(2,014)**	**(1,938)**	**(7,284)**	**357,351**	**319,513**	**31,629**	**6,208**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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**

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, 2023, 2022 and 2021 is shown below:

December 2023 (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	—	73	1,933	1,028	3,040	3,175
Credit card debt		1	—	2	1,927	20,959	22,890	24,454
Commercial debtors		960	76	586	23,462	88	25,171	25,346
Finance leases	—	225	—	12	8,940	285	9,463	9,714
Reverse repurchase loans	1,345	—	5,786	92	—	—	7,223	7,234
Other term loans	4,878	21,662	5,329	9,300	134,024	147,491	322,683	331,813
Advances that are not loans	927	412	6,312	3,186	956	324	12,116	12,164
LOANS AND ADVANCES	**7,151**	**23,265**	**17,502**	**13,251**	**171,241**	**170,175**	**402,586**	**413,901**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*271*	*—*	*526*	*24,829*	*96,772*	*122,397*	*125,328*
Of which: other collateralized loans	*1,347*	*6,933*	*4,558*	*465*	*10,938*	*2,430*	*26,671*	*26,963*
By purpose of the loan								
Of which: credit for consumption						*59,892*	*59,892*	*64,303*
Of which: lending for house purchase						*97,555*	*97,555*	*99,224*
By subordination								
Of which: project finance loans					*7,181*		*7,181*	*7,743*

December 2022 (1) (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	1,256	217	12,702	12,758
LOANS AND ADVANCES	**4,401**	**20,892**	**16,057**	**12,765**	**165,593**	**158,348**	**378,056**	**389,347**
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*

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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*

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
- 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, 2023 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, 2023, 2022 and 2021, the BBVA Group had no significant 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), shown by type of collateral, as of December 31, 2023, 2022 and 2021, is the following:

Impaired loans and advances at amortized cost covered by collateral (Millions of Euros)

	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
December 2023	14,446	3,167	771	5	91	1,226
December 2022	13,493	2,537	849	3	52	984
December 2021	14,657	2,875	1,068	5	33	886

The value of guarantees received as of December 31, 2023, 2022 and 2021, is the following:

Guarantees received (Millions of Euros)

	2023	2022	2021
Value of collateral	**136,141**	**125,963**	**117,362**
Of which: guarantees normal risks under special monitoring	*14,274*	*12,826*	*11,768*
Of which: guarantees non-performing risks	*4,035*	*3,440*	*3,981*
Value of other guarantees	**53,462**	**40,050**	**48,680**
Of which: guarantees normal risks under special monitoring	*4,864*	*4,963*	*7,404*
Of which: guarantees non-performing risks	*1,226*	*984*	*886*
Total value of guarantees received	**189,602**	**166,013**	**166,042**

The maximum credit risk exposure of impaired financial guarantees and other commitments at December 31, 2023, 2022 and 2021 amounts to €1,030 million, €1,147 million and €957 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.

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, contingent risk and commitments, in percentage terms, of the BBVA Group, based on their probability of default within 12 months and internal rating used in the calculation of the expected loss under IFRS 9, and their *stages,* as of December 31, 2023, 2022 and 2021:

Probability of default (basis points) and internal rating

		2023		2022		2021 (1)	
		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)
Internal rating	PDs	%	%	%	%	%	%
AAA	0 to 2	3.8	—	5.5	0.1	5.8	—
AA+ to AA-	2 to 5	10.7	0.2	19.4	0.3	15.7	0.1
A+ to A-	5 to 11	25.4	0.5	19.9	0.7	15.2	0.2
BBB+ to BBB-	11 to 39	21.7	1.3	18.7	0.8	18.7	0.6
BB+ to BB-	39 to 194	20.6	2.1	18.4	1.9	19.1	2.5
B+ to B-	194 to 1,061	8.7	2.2	9.0	2.5	12.2	3.8
CCC+ to CCC-	1,061 to 2,121	1.0	0.6	1.0	0.7	1.9	1.5
CC+ to C	> 2,121	0.5	0.8	0.5	0.8	0.8	1.9
	Total	**92.4**	**7.6**	**92.3**	**7.7**	**89.4**	**10.6**

(1) Data corresponding to the year 2021, does not include commitments nor contingent liabilities.

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, 2023, 2022 and 2021 is as follows:

December 2023 (Millions of Euros)

	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	**7,176**	**—**	**(25)**	**—%**
General governments	**23,294**	**25**	**(29)**	**0.1%**
Credit institutions	**17,498**	**2**	**(21)**	**—%**
Other financial corporations	**13,271**	**12**	**(20)**	**0.1%**
Non-financial corporations	**175,337**	**5,520**	**(4,274)**	**3.2%**
Agriculture, forestry and fishing	4,530	133	(136)	2.9%
Mining and quarrying	4,924	27	(30)	0.6%
Manufacturing	45,893	814	(685)	1.8%
Electricity, gas, steam and air conditioning supply	15,801	444	(454)	2.8%
Water supply	905	16	(11)	1.8%
Construction	8,269	665	(426)	8.1%
Wholesale and retail trade	32,080	1,241	(883)	3.9%
Transport and storage	10,378	310	(213)	3.0%
Accommodation and food service activities	7,957	329	(208)	4.1%
Information and communications	7,545	71	(54)	0.9%
Financial and insurance activities	7,828	187	(122)	2.4%
Real estate activities	12,550	658	(508)	5.2%
Professional, scientific and technical activities	4,053	178	(124)	4.4%
Administrative and support service activities	4,449	151	(111)	3.4%
Public administration and defense; compulsory social security	303	10	(11)	3.2%
Education	586	30	(21)	5.0%
Human health services and social work activities	2,171	129	(48)	6.0%
Arts, entertainment and recreation	906	53	(42)	5.9%
Other services	4,209	74	(186)	1.8%
Households	**177,009**	**8,886**	**(6,946)**	**5.0%**
LOANS AND ADVANCES	**413,585**	**14,446**	**(11,316)**	**3.5%**

December 2022 (1) (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	**170,929**	**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	4,147	101	(530)	2.4 %
Households	**163,936**	**7,098**	**(5,675)**	**4.3 %**
LOANS AND ADVANCES	**389,073**	**13,493**	**(11,291)**	**3.5 %**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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 %**

The changes during the years 2023, 2022 and 2021 of impaired financial assets and guarantees given are as follows:

Changes in impaired financial assets and guarantees given (Millions of Euros)	2023	2022	2021
Balance at the beginning	**14,521**	**15,467**	**15,478**
Additions	11,066	8,084	8,556
Decreases [(1)]	(5,795)	(5,742)	(4,555)
Net additions	**5,272**	**2,342**	**4,001**
Amounts written-off	(3,770)	(2,771)	(3,613)
Exchange differences and other	(660)	(517)	(399)
Balance at the end	**15,362**	**14,521**	**15,467**

(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 2023, 2022 and 2021 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	2023	2022	2021
Balance at the beginning		**22,595**	**21,990**	**22,001**
Companies held for sale		—	—	—
Increase		3,841	2,871	3,709
Decrease:		(2,035)	(2,431)	(3,605)
Re-financing or restructuring		*(1)*	*(2)*	*(1)*
Cash recovery	*47*	*(369)*	*(390)*	*(423)*
Foreclosed assets		*(3)*	*(25)*	*(17)*
Sales (1)		*(1,201)*	*(1,498)*	*(2,437)*
Debt forgiveness		*(410)*	*(368)*	*(599)*
Time-barred debt and other causes		*(51)*	*(147)*	*(129)*
Net exchange differences		385	165	(116)
Balance at the end		**24,787**	**22,595**	**21,990**

(1) 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 2023, 2022 and 2021 are recorded on the consolidated balance sheet as of December 31, 2023, 2022 and 2021 in order to cover the estimated impairment or reversal of impairment on loans and advances at amortized cost.

Changes in gross accounting balances of loans and advances at amortized cost. Year 2023 (Millions of Euros)

	Stage 1	*Stage 2*	*Stage 3*	Total
Balance at the beginning	**341,944**	**33,636**	**13,493**	**389,073**
Transfers of financial assets:	(11,647)	10,463	1,184	—
Transfers from stage 1 to stage 2	*(18,172)*	*18,172*	—	—
Transfers from stage 2 to stage 1	*7,639*	*(7,639)*	—	—
Transfers to stage 3	*(3,203)*	*(2,297)*	*5,500*	—
Transfers from stage 3	*2,089*	*2,226*	*(4,316)*	—
Net annual origination of financial assets	34,334	(5,233)	2,663	31,764
Becoming write-offs	(186)	(76)	(2,889)	(3,150)
Foreign exchange	(2,833)	(635)	(369)	(3,838)
Modifications that do not result in derecognition	(60)	(16)	476	401
Other	(365)	(187)	(112)	(665)
Balance at the end	**361,186**	**37,953**	**14,446**	**413,585**

Changes in allowances of loans and advances at amortized cost. Year 2023 (Millions of Euros)

	Stage 1	*Stage 2*	*Stage 3*	**Total**
Balance at the beginning	**(2,065)**	**(1,942)**	**(7,284)**	**(11,291)**
Transfers of financial assets:	73	(336)	(2,527)	(2,790)
Transfers from stage 1 to stage 2	*118*	*(681)*	*—*	*(563)*
Transfers from stage 2 to stage 1	*(113)*	*323*	*—*	*210*
Transfers to stage 3	*81*	*120*	*(2,935)*	*(2,734)*
Transfers from stage 3	*(13)*	*(97)*	*408*	*297*
Net annual origination of allowances	(466)	(148)	(232)	(846)
Becoming write-offs	147	71	2,853	3,071
Foreign exchange	(52)	44	169	160
Modifications that do not result in derecognition	3	49	(304)	(252)
Other	229	235	167	631
Balance at the end	**(2,131)**	**(2,026)**	**(7,158)**	**(11,316)**

For the year ended December 31, 2023, 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 €4,428 million (€3,379 million and €3,034 million for the years ended December 31, 2022 and 2021, respectively) (see Note 47).

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)
Methodological changes and adoption of new standards (1)	(672)	—	—	(672)
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	**341,944**	**33,636**	**13,493**	**389,073**

(1) The entire impact corresponds to the application of IFRS 17 (See notes 1.3 and 2.3).

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)**

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)**

The loss allowances recorded in the balance sheet to cover the impairment estimated in the debt securities amounted to €166, €214 and €126 million as of December 31, 2023, 2022 and 2021, 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 estimated in the commitments and guarantees given amounted to €770, €770 and €691 million as of December 31, 2023, 2022 and 2021, 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. Therefore, in all cases the customer shall at least make interest payments, in addition to certain limited exceptions where grace periods are afforded in respect of both principal and interest payments.

- 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.

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%.

For quantitative information on refinancing and restructuring transactions see Appendix X.

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 geographical area

The breakdown of the main figures in the most significant foreign currencies in the consolidated balance sheets is set forth in Appendix XI.

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 XI.

Policies for Risk related to the developer and Real Estate sector in Spain

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.

Risk concentration related to the developer and Real Estate sector in Spain

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%.

For quantitative information about the risk related to the developer and Real-Estate sector in Spain see Appendix XI.

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 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 (hereinafter, "IRRBB") is related to the potential impact that variations in market interest rates may have on an entity's earnings, through the impact on net interest income and on the valuation of instruments accounted for at fair value, as well as on the 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.

Furthermore, the credit spread risk in the banking book ("CSRBB") arises from the potential impact on the entity´s earnings and/or the value of equity of the banking book produced by a variation in the level of market credit spreads that are not explained by default or migration risk or by movements in market interest rates.

IRRBB and CSRBB management is carried out from a double perspective, the economic value of equity and earnings, including the management of net interest income and the monitorization of banking book instruments accounted at fair value with an impact on the income statement and/or on equity. In addition, the banking book instruments recorded based on their market value (fair value) are subject to specific monitoring, due to their impact on risk and on capital, through other comprehensive income or the income statement.

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

In BBVA, the purpose of IRRBB risk management is to maintain the recurrent generation of earnings in the event of market interest rate fluctuations, through the contribution to the net interest income and the control of the potential impacts on the mark-to-market of the fair value accounted portfolios, as well as to limit the capital consumption due to structural interest rate risk. Likewise, the spread risk management in banking book portfolios is aimed at limiting the impact on equity derived from changes in 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 maintaining the spread risk at levels aligned with the total volume of the investment portfolio and the equity of the Group, as well as limiting the impact on earnings when market credit spreads change.

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.

IRRBB 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.

BBVA's IRRBB and CSRBB in the banking book 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 Held to Collect & Sale (HtC&S) in terms of sensitivities of the main currencies for the BBVA Group in 2023:

Sensitivity to interest-rate and credit spread analysis. Year 2023

	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	100 basis point increase	100 basis point decrease	100 basis point increase
Euro	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-0.5% , 0.5%]	[-0.5% , 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	**[1.5% , 3.5%]**	**[-3.5% , -1.5%]**	**[-1.5% , -0.5%]**	**[0.5% , 1.5%]**	**[-1.5% , -0.5%]**

(1) Percentage of "12 months" net interest income for the BBVA Group.
(2) Percentage of CET1 (Fully Loaded) for BBVA Group.

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.

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 in 2023, the first quarters of the year were characterized by a persistent high level of inflation in most of the countries where the Group operates and strong growth indicators. As a result thereof, both the ECB and the Fed have consolidated their hawkish messages of high interest rates for a longer time. This positioning from the monetary authorities contributed negatively to the sovereign curves to certain rises on the valuation of the Group's debt portfolios. However, in the last quarter of the year, decreasing inflation data and expectancies converging towards central bank objectives, together with the weakening of some macroeconomic indicators may mean that the rate hike cycle has come to an end in Europe and in the United States and to the market discounting rate drops by mid-2024. This has triggered a fall in sovereign bond profitability and it has caused a positive performance in most debt portfolios of the Group. Other peripheral rate curve spreads remain supported. In Mexico, the rate hike cycle is also considered to be over, while in most countries of South America, interest rate cuts have started taking place. For the contrary, the Central Bank of Turkey has continued the tightening of its monetary policy launched in June with significant rate hikes.

The most relevant aspects related to the main geographical areas are the following:

- Spain has a balance sheet characterized by a lending portfolio with 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 hedge for the balance sheet, mitigating its sensitivity to interest rate fluctuations. In an environment of high rates, currently close to their market-predicted terminal rates, the interest rate risk profile of the balance sheet has been reduced during the year.

  On the other hand, the ECB left rates unchanged in the last quarter of the year, bringing the benchmark interest rate to 4.5%, the marginal deposit facility rate at 4.0% and the marginal loan facility rate at 4.75% as of December 31, 2023. The market expects there to be a first rate drop in the first half of 2024 and, in this environment, the Euribor 6 and 12 month reference rates fell in the fourth quarter of 2023, starting to reflect these expectations, while shorter term benchmark rates remained broadly stable. All in all, the customer spread benefited in 2023 from asset repricing and the containment in the cost of deposits.

- Mexico continues to show a balance between fixed and variable interest rates balances, which results in a limited sensitivity to interest rates fluctuations. In terms of assets that are most sensitive to interest rate changes, the commercial portfolio stood out, while consumer loans and mortgages are mostly at a fixed rate. With regard to customer funds, the high proportion of non-interest bearing deposits, which are insensitive to interest rate movements, should be highlighted. The ALCO portfolio is invested primarily in fixed-rate sovereign bonds with limited maturities. The monetary policy rate stood at 11.25%, 75 basis points above the end-of-year level of 2022, but has remained stable since March 2023. Regarding customer spread, there has been an improvement during 2023, favored by both the containment of the cost of deposits and the positive evolution of the loan yield.

- In Turkey, the sensitivity of deposits is offset by the ALCO portfolio and loans (fixed rate and relatively short-term). The sensitivity of the net interest income remains very limited. The CBRT has recently increased monetary policy rates, taking interest rates from 8.5% to 42.5% by the end of 2023. In terms of customer spread, it has worsened due to the evolution of the deposit costs linked to regulatory requirements, despite the high profitability of loans.

- 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, the balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a very low level of exposure. Regarding benchmark rates, the cut cycle has begun in the region. In Peru it stood at 6.75% as of December 2023, 75 basis points below its 2022 closing level. The customer spread in Peru had a positive performance in the year due to the positive evolution of loan performance and the containment of deposit costs. In Colombia, in December 2023 the central bank cut rates by 25 basis points, leaving the official rate at 13.00%. Thus, customer spread in Colombia continued the improvement trend initiated in the second quarter of the year. In Argentina, after the primary elections in August, a significant rate hike of 2,100 basis points was implemented reaching 118%, and kept increasing further up to 133%, but was reduced to 100% after the last central bank meeting in December 2023.

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 2023 was characterized by the recovery of the euro against the dollar (+3.5%), after the losses accumulated during the previous year. Among the emerging currencies, the Mexican peso appreciated strongly (11.4% against the euro) for the second year in a row, helped by the country's increasingly solid fundamentals. The lira was again penalized in 2023 (-38.9%), reflecting the imbalances in the Turkish economy. However, this year, economic policy is experiencing a gradual correction of the current macroeconomic imbalances that could have an impact in the coming years. As for the performance of South American currencies, the Colombian peso appreciated strongly against the euro (21.5%), the Peruvian sol weakened slightly (1.1%), while the Chilean peso depreciated by 6.2%. Finally, the Argentine peso experienced the largest depreciation among the area's currencies (-78.9%), affected by the measures implemented by the country's new government.

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 2023 of a 10% depreciation in the relevant currency was as follows: Mexican peso (-9 basis points); Turkish lira (-4 basis points) and U.S. dollar (+17 basis points).

For the years 2023, 2022 and 2021, the estimated sensitivities (in absolute terms) 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	2023	2022	2021
Mexican peso	25.8	19.1	14.0
Turkish lira	4.4	3.5	4.7
Peruvian sol	0.9	0.7	0.3
Chilean peso	0.2	0.4	0.6
Colombian peso	1.0	0.9	1.1
Argentine peso	1.3	1.9	0.6

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 posted significant gains in 2023 due to higher economic growth than expected at the beginning of the year and falling inflation, leading a process of gradual relaxation of monetary conditions approximately towards mid-2024. In Europe, the banking sector was one of the best performers, managing to surpass pre-pandemic levels. The Spanish stock market outperformed both European stock market indices and the local indices of the main European countries. Finally, Telefónica, where the Group maintains a stake as equity in the banking book, rose slightly less than the indices but significantly more than the European telecommunications sector.

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 amounted to €-24 million as of December 31, 2023, same as of December 31, 2022. 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

The transition from IBOR to Risk Free Rate (hereinafter "RFR") was considered a complex initiative, which affected the BBVA Group in different geographical areas and business lines, as well as a multitude of products, systems and processes. The main risks to which the Group was exposed due to the transition were: (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 valuation, hedging, cancellation and recognition of financial instruments associated with reference indices; (4) price risk, derived from how changes in the indices could impact the price determination mechanisms of certain instruments; (5) operational risks, as the reform could require changes to the Group's IT systems, business reporting infrastructure, operational processes and controls, and (6) conduct risks arising from the potential impact of customer communications during the transition period, which could lead to customer complaints, regulatory sanctions or reputational impact.

Thus, the Group established a transition project, provided with a robust governance structure, taking into account the different transition approaches and deadlines to the new RFR when evaluating the various risks associated with the transition, as well as defining the lines of action in order to mitigate them.

BBVA actively collaborated in the IBOR transition, supporting and participating in the sectorial working groups, and amending the contracts with its counterparties. In this regard, BBVA carried out a process of communication and contact with its counterparties to modify contract terms using different mechanisms: through the inclusion of addenda to the contracts, the adherence to industry standard protocols, the transition of operations by clearing house, the cancellation of contracts and subscription of new ones, and 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.

In relation to the indices affected by the reform, the transition of the EONIA indices and LIBOR GBP, CHF, JPY and EUR has already been completed satisfactorily in the BBVA Group. In the case of the EURIBOR, the European authorities have promoted modifications in its methodology so that it meets the requirements of the European Regulation of Reference Indices, for which reason the cessation of this rate is not foreseen at the moment. Regarding USD LIBOR, the only rate to which BBVA had exposure as of December 31, 2023, BBVA is actively working to modify all its contracts referenced to this rate to the corresponding RFR (SOFR, Secured Overnight Financing Rate). The Financial Conduct Authority (FCA) has announced its decision to publish USD LIBOR under a "synthetic" methodology not representative for the 1, 3 and 6 months tenors until September 30, 2024.The BBVA Group's exposure to financial assets and liabilities pending transition to the new RFR is no significant.

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 76%, 63% and 77% of the Group’s trading-book market risk as of December 31, 2023, 2022 and 2021. 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.

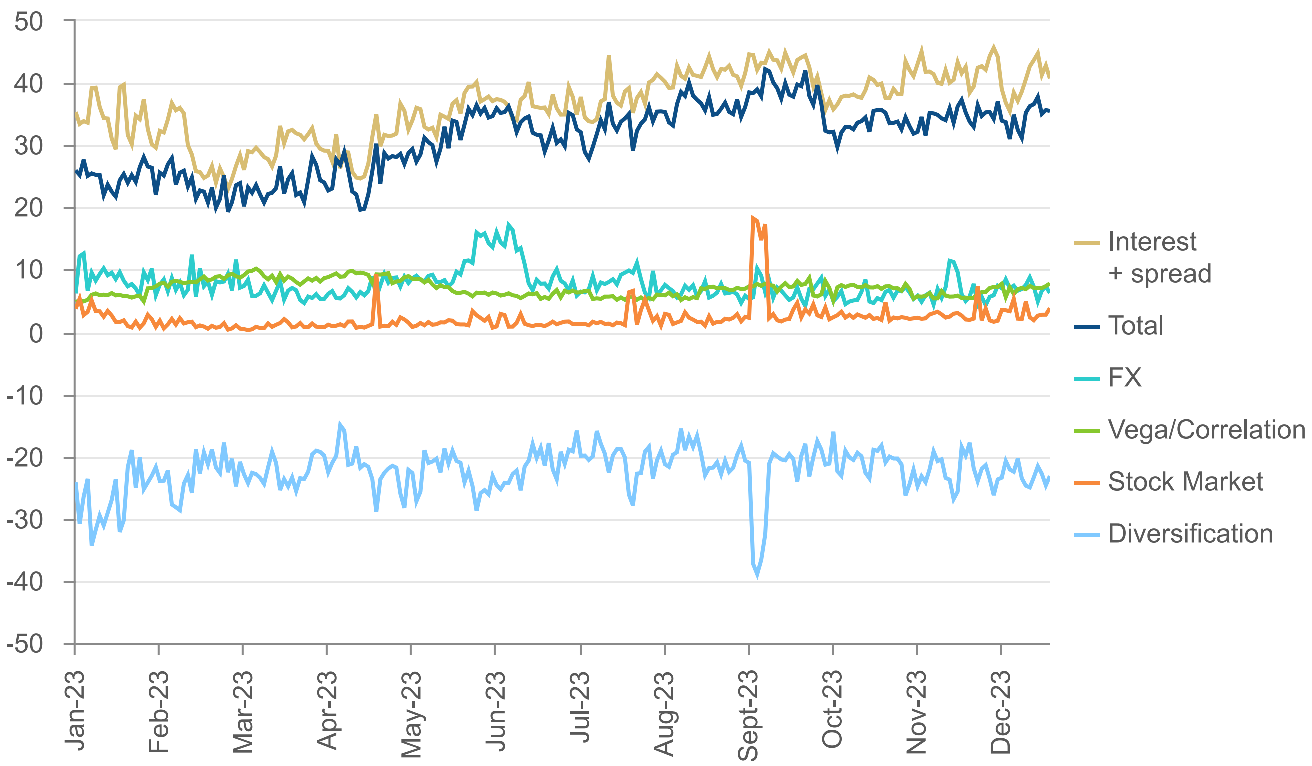
- Specific Risk - Incremental Risk Capital ("IRC"). Quantification of the risks of default and changes of the credit ratings of the bond and derivative positions and debt funds with daily look-through or significant benchmark (correlation > 90%) in the trading portfolio. The IRC charge is exclusively 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 2023

The Group's market risk related to its trading portfolio remained in 2023 at low levels compared to other risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2023, the average VaR was €31 million, above the figure of 2022, with a maximum level in the year reached on September 14, 2023 of €42 million. The evolution in the BBVA Group's market risk during 2023, 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 69% of the total at December 31, 2023 (this figure includes the spread risk). The relative weight of this risk has increased 24% compared with the close of 2022. Exchange-rate risk accounted for 10% of the total risk, reducing its weight

-55% with respect to December 2022, while equity, volatility and correlation risk has increased, with a weight of 7% and 14% respectively, which implies a variation of -45% and 55% respectively with respect to 2022.

As of December 31, 2023, 2022 and 2021 the VaR was €36 million, €29 million and €31 million, respectively, with the following breakdown:

VaR by Risk Factor (Millions of Euros) (1)

	Interest/Spread risk	Currency risk	Stock-market risk	Vega/Correlation risk	Diversification effect (2)	Total
2023						
VaR average in the year	36	8	2	7	(22)	31
VaR max in the year	43	6	17	8	(33)	42
VaR min in the year	23	9	—	9	(23)	19
End of period VaR	**41**	**6**	**4**	**8**	**(23)**	**36**
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**

(1) The figures correspond to the maximum and minimum total VaR obtained in the year, as well as the VaR figures by risk factor for the day on which said maximums and minimums occurred.
(2) 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 results of those entities 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 2023, 2022 and 2021:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained, not taking into account the intraday results or the changes in the portfolio positions. This validates the appropriateness of the market risk metrics for the end-of-day position.

- "Real" backtesting: the daily VaR is compared with the total results, including intraday transactions, but discounting the possible minimum charges or fees involved. This type of backtesting includes the intraday risk in portfolios.

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

For the period between the year ended December 31, 2022 and the year ended December 31, 2023, 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 neither in BBVA, S.A nor in BBVA Mexico as an entity.

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, 2023 is as follows:

Impact of the stress test (Millions of Euros)

	Europe	Mexico	Peru	Venezuela	Argentina	Colombia	Turkey
Expected shortfall	(74)	(73)	(29)	—	(10)	(4)	(13)

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, 2023, 2022 and 2021:

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 2023							
Trading and hedging derivatives	10 / 15	44,641	8,866	35,775	24,948	9,949	878
Reverse repurchase, securities borrowing and similar agreements		80,227	—	80,227	81,050	956	(1,779)
Total assets		**124,869**	**8,866**	**116,003**	**105,998**	**10,905**	**(900)**
Trading and hedging derivatives	10 / 15	44,536	8,866	35,670	27,131	8,755	(216)
Repurchase, securities lending and similar agreements		104,920	—	104,920	106,344	2,002	(3,426)
Total liabilities		**149,456**	**8,866**	**140,590**	**133,475**	**10,757**	**(3,642)**
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)**

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, monitoring and mitigation measures

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 level above 100% as a mitigation measure.

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

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

For each scenario, it is checked whether BBVA has a sufficient stock of liquid assets to 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 dynamic funding structure with a predominantly retail nature, where customer resources represent the main source of funding.

During 2023, in an environment of lower liquidity in the systems as a result of the actions of the central banks, particularly with the repayment of an important part of the TLTRO program in Europe, liquidity conditions have remained comfortable in all the countries where the BBVA Group operates.

The performance of the indicators show that the funding structure remained steady during 2023, 2022 and 2021, in the sense that all LMU held self-funding levels with stable customer resources above the requirements.

LtSCD by LMU

	2023	2022	2021
Group (average)	**99 %**	**96 %**	**95 %**
BBVA, S.A.	100 %	98 %	98 %
BBVA Mexico	102 %	98 %	93 %
Garanti BBVA	78 %	83 %	81 %
Other LMU	104 %	96 %	93 %

With respect to LCR, the Group has maintained a liquidity buffer at both a consolidated and individual level in 2023. As a result, the ratio has remained comfortably above 100%, with the consolidated ratio as of December 31, 2023 standing at 149%.

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 193%, or 44 basis points above the required level.

LCR main LMU

	2023	2022	2021
Group	**149 %**	**159 %**	**165 %**
BBVA, S.A.	178 %	186 %	190 %
BBVA Mexico	192 %	199 %	245 %
Garanti BBVA	212 %	185 %	211 %

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 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 €130,770 billion, among which, 97% correspond to maximum quality assets (LCR Level 1).

The table below shows the liquidity available by instrument as of December 31, 2023, 2022 and 2021 for the most significant entities based on prudential supervisor’s information (Commission Implementing Regulations (EU) 2021/451 of December 17, 2020):

Liquidity available by instrument (Millions of Euros)

	BBVA, S.A.			BBVA Mexico			Garanti BBVA			Other		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Cash and withdrawable central bank reserves	43,931	48,271	35,258	9,712	12,865	12,146	9,899	6,731	8,179	5,921	5,265	6,469
Level 1 tradable assets	31,606	33,081	37,272	20,345	13,974	13,881	6,117	9,165	5,549	8,429	7,836	6,036
Level 2A tradable assets	919	3,450	5,234	246	47	74	—	—	—	—	—	—
Level 2B tradable assets	2,916	3,471	9,492	132	35	28	—	—	—	—	1	2
Other tradable assets	44,324	22,708	27,870	469	467	343	398	285	722	753	1,035	934
Non tradable assets eligible for central banks	—	—	—	—	—	—	—	—	—	—	—	—
Cumulated counterbalancing capacity	**123,696**	**110,981**	**115,127**	**30,903**	**27,388**	**26,472**	**16,414**	**16,181**	**14,449**	**15,102**	**14,136**	**13,440**

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 131% as of December 31, 2023.

The NSFR of BBVA Group and its main LMU at December 31, 2023, 2022 and 2021, was the following:

NSFR main LMU

	2023	2022	2021
Group	**131 %**	**135 %**	**135 %**
BBVA, S.A.	120 %	125 %	126 %
BBVA Mexico	140 %	143 %	149 %
Garanti BBVA	178 %	166 %	162 %

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2023, 2022 and 2021:

December 2023. 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	10,353	61,678	—	—	—	—	—	—	—	—	72,031
Deposits in credit entities	—	4,676	393	543	594	602	602	136	24	102	7,672
Deposits in other financial institutions	—	1,288	1,261	1,049	385	649	2,019	965	974	1,291	9,882
Reverse repo, securities borrowing and margin lending	—	42,407	21,683	6,890	3,398	2,596	3,319	3,817	2,133	139	86,382
Loans and advances	—	28,644	30,850	28,239	16,434	19,029	41,267	32,769	45,116	104,086	346,433
Securities' portfolio settlement	—	2,167	6,011	2,633	2,578	11,950	15,266	14,016	29,245	34,558	118,424

December 2023. 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	—	1,187	3,889	8,518	4,935	4,225	10,296	7,990	11,175	22,424	74,639
Deposits from financial institutions	2,092	3,669	1,076	715	119	605	795	46	198	695	10,011
Deposits from other financial institutions and international agencies	8,507	5,526	2,806	1,036	834	841	1,033	618	695	638	22,535
Customer deposits	304,096	44,745	16,225	11,855	3,905	5,500	1,753	1,029	758	1,092	390,959
Security pledge funding	—	86,908	30,028	6,107	2,274	1,821	2,630	1,111	2,060	677	133,615
Derivatives, net	—	(21)	(30)	6	(62)	(267)	69	45	(135)	(2,616)	(3,009)

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)

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 repaid almost the entire TLTRO III program. During 2023, commercial activity has provided liquidity to the balance sheet mainly due to the good evolution of customer deposits in the last quarter of the year, with growth greater than that of lending activity. This performance is partially explained by the end of year seasonal component. On the other hand, in December 2022 the Bank started the repayment of the TLTRO III program (see Note 22.1), maintaining at all times the regulatory liquidity metrics well above the established minimums.

- BBVA Mexico continues to present an efficient management of the cost of funds in an environment of rising interest rates. During the year, however, commercial activity has drained liquidity due to a sustained loan growth that has been bigger than the fund growth. However, the change in the evolution of deposits, which had kept a negative performance during the year due to transfers to off-balance funds and which in the last quarter of the year show a significant increase mainly thanks to the seasonal inflows at the end of the year,

- In Turkey, during 2023, 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 higher reductions in deposits. Garanti BBVA continues to maintain a stable liquidity position. On the other hand, the Central Bank of Turkey has promoted a gradual change of the FX protected scheme to standard deposits in Turkish lira, especially in the second half of the year, as an additional step on the economy dedollarization process.

- In South America, the liquidity situation remains adequate throughout the region. In Argentina, liquidity in the system continues to increase, as well as in BBVA due to a higher growth in deposits than in loans in local currency, without significant variations in foreign currency. In BBVA Colombia, the credit gap declined due to a higher volume of deposits together with a slowdown in lending growth. BBVA Peru maintains its liquidity levels showing a reduction in the credit gap throughout the year.

The main wholesale financing transactions carried out by the BBVA Group during 2023 are listed below:

Issuer	Type of issue	Date of issue	Nominal (millions)	Currency	Coupon	Early redemption	Maturity date
BBVA, S.A.	Senior non-preferred	Jan-23	1,000	EUR	4.625 %	Jan-30	Jan-31
	Covered bonds	Jan-23	1,500	EUR	3.125 %	—	Jul-27
	Senior preferred	May-23	1,000	EUR	4.125 %	May-25	May-26
	Tier 2	Jun-23	750	EUR	5.750%	Jun-Sep 28	Sep-33
	AT1	Jun-23	1,000	EUR	8.375%	Dec-28	Perpetual
	Tier 2	Aug-23	300	GBP	8.250%	Aug-Nov 28	Nov-33
	AT1	Sep-23	1,000	USD	9.375%	Sep-29	Perpetual
	Tier 2	Nov-23	750	USD	7.883%	Nov-33	Nov-34
BBVA Mexico	Senior (Tranche 1) - Green bond	Feb-23	8,689	MXN	TIIE day 1 + 32 basis points	—	Feb-27
	Senior (Tranche 2)	Feb-23	6,131	MXN	9.540%	—	Feb-30
	Tier 2	Jun-23	1,000	USD	8.450%	Jun-33	Jun-38
	Senior (Tranche 1)	Nov-23	9,900	MXN	TIIE day 1 + 32 basis points	—	Apr-27
	Senior (Tranche 2)	Nov-23	3,600	MXN	10.240%	—	Nov-30

Additionally, in June 2023, BBVA, S.A. completed a securitization of a portfolio of car loans for an amount of €804million.

In Turkey, Garanti BBVA renewed in June a syndicated loan associated to environmental, social and corporate governance (ESG) criteria, consisting of two separate tranches of USD 199 million and €218.5 million, both maturing in one year. In December, Garanti BBVA announced the renovation of the 100% of the maturity of a syndicated loan of USD 259.5 million and €142.5 million with a maturity of 367 days, also linked to ESG criteria. The total loan cost was SOFR + 3.50% for the tranche in USD and Euribor + 3.25% for the tranche in euros.

7.5.4 Asset encumbrance

As of December 31, 2023, 2022 and 2021, 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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Assets	**78,586**	**92,916**	**114,336**				**696,972**	**619,177**	**548,548**			
Equity instruments	592	819	307	592	819	307	13,176	11,293	22,280	13,176	11,293	22,280
Debt securities	51,458	33,533	31,557	50,818	32,291	29,527	88,976	92,665	89,307	88,976	92,665	89,307
Loans and advances and other assets	26,535	58,563	82,472				594,821	515,218	436,962			

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, to a lesser extent, 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, 2023, 2022 and 2021, collateral pledges received mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

Collateral received (Millions of Euros)

	Fair value of encumbered collateral received or own debt securities issued			Fair value of collateral received or own debt securities issued available for encumbrance			Fair value of collateral received or own debt securities issued not available for encumbrance		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Collateral received	**73,836**	**40,701**	**40,905**	**14,825**	**9,415**	**17,029**	**996**	**1,279**	**1,719**
Equity instruments	1,019	323	289	51	759	265	—	—	—
Debt securities	72,817	40,378	40,616	14,774	8,656	16,764	996	1,279	1,719
Loans and advances and other assets	—	—	—	—	—	—	—	—	—
Own debt securities issued other than own covered bonds or ABSs	**—**	**—**	**—**	**74**	**92**	**50**	**—**	**—**	**—**

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, 2023, 2022 and 2021, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Sources of encumbrance (Millions of Euros)

	Matching liabilities, contingent liabilities or securities lent			Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered		
	2023	2022	2021	2023	2022	2021
Book value of financial liabilities	**151,766**	**122,400**	**137,242**	**149,853**	**128,628**	**151,275**
Derivatives	15,895	15,950	15,368	13,756	16,699	15,191
Deposits	126,777	95,728	109,311	126,543	99,077	120,957
Outstanding subordinated debt	9,094	10,722	12,563	9,554	12,852	15,127
Other sources	**1,066**	**731**	**620**	**2,568**	**4,989**	**3,966**

8. Fair value of financial instruments

Framework and processes control

The process for determining the fair value established in the Group seeks to ensure that financial assets and liabilities are properly recorded following the IFRS 13 principles, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

BBVA has established, at a geographic level, a structure of Risk Operational Admission and Product Governance Committees responsible for validating and approving new products or types of financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (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 and/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, 2023, the affected instruments at fair value accounted for approximately 0.57% of financial assets and 0.50% 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 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 considers 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 fair value of the Group's financial instruments recognized at fair value in the consolidated balance sheets is presented below, broken down according to the valuation method used to determine their fair value, and their respective book value as of December 31, 2023, 2022 and 2021:

Fair value of financial instruments by levels. December 2023 (Millions of Euros)

	Notes	Book value	Fair value		
			Level 1	Level 2	Level 3
ASSETS					
Financial assets held for trading	10	141,042	21,972	116,905	2,165
Derivatives		34,293	144	33,880	269
Equity instruments		4,589	4,494	24	71
Debt securities		28,569	17,333	11,081	155
Loans and advances		73,590	—	71,921	1,669
Non-trading financial assets mandatorily at fair value through profit or loss	11	8,737	7,028	493	1,216
Equity instruments		7,963	6,742	72	1,148
Debt securities		484	286	132	66
Loans and advances to customers		290	—	288	2
Financial assets designated at fair value through profit or loss	12	955	908	47	—
Debt securities		955	908	47	—
Financial assets at fair value through other comprehensive income	13	62,205	52,987	8,335	883
Equity instruments		1,217	1,026	52	139
Debt securities		60,963	51,961	8,258	745
Loans and advances to credit institutions		26	—	26	—
Derivatives – Hedge accounting	15	1,482	—	1,482	—
LIABILITIES					
Financial liabilities held for trading	10	121,715	14,133	106,382	1,201
Trading derivatives		33,045	191	32,111	743
Short positions		15,735	13,942	1,750	44
Deposits		72,935	—	72,520	415
Financial liabilities designated at fair value through profit or loss	12	13,299	—	11,073	2,227
Deposits from credit institutions		—	—	—	—
Customer deposits		717	—	717	—
Debt certificates issued		3,977	—	1,751	2,227
Other financial liabilities		8,605	—	8,605	—
Derivatives – Hedge accounting	15	2,625	—	2,586	39

Fair value of financial Instruments by levels. December 2022 (1) (Millions of Euros)

	Notes	Book value	Fair value		
			Level 1	Level 2	Level 3
ASSETS					
Financial assets held for trading	10	110,671	22,710	85,636	2,325
Derivatives		39,908	795	38,140	974
Equity instruments		4,404	4,369	—	34
Debt securities		24,367	16,284	7,934	148
Loans and advances		41,993	1,262	39,562	1,169
Non-trading financial assets mandatorily at fair value through profit or loss	11	6,888	5,720	151	1,017
Equity instruments		6,511	5,457	40	1,014
Debt securities		129	19	111	—
Loans and advances to customers		247	245	—	3
Financial assets designated at fair value through profit or loss	12	913	913	—	—
Debt securities		913	913	—	—
Financial assets at fair value through other comprehensive income	13	65,374	53,248	11,537	589
Equity instruments		1,198	1,040	58	100
Debt securities		64,150	52,182	11,479	489
Loans and advances to credit institutions		26	26	—	—
Derivatives – Hedge accounting	15	1,891	4	1,887	—
LIABILITIES					
Financial liabilities held for trading	10	95,611	20,611	73,871	1,129
Trading derivatives		37,909	746	36,161	1,002
Short positions		13,487	13,354	133	—
Deposits		44,215	6,511	37,577	127
Financial liabilities designated at fair value through profit or loss	12	10,580	—	8,990	1,590
Deposits from credit institutions		—	—	—	—
Customer deposits		700	—	700	—
Debt certificates issued		3,288	—	1,698	1,590
Other financial liabilities		6,592	—	6,592	—
Derivatives – Hedge accounting	15	3,303	100	3,179	25

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

Fair value of financial Instruments by levels. December 2021 (Millions of Euros)

	Notes	Book value	Fair value		
			Level 1	Level 2	Level 3
ASSETS					
Financial assets held for trading	10	123,493	32,371	87,736	3,386
Derivatives		30,933	3,954	26,732	247
Equity instruments		15,963	15,925	—	37
Debt securities		25,790	11,877	13,725	189
Loans and advances		50,807	615	47,279	2,913
Non-trading financial assets mandatorily at fair value through profit or loss	11	6,086	4,378	522	1,186
Equity instruments		5,303	4,158	394	751
Debt securities		128	—	128	—
Loans and advances to customers		655	220	—	435
Financial assets designated at fair value through profit or loss	12	1,092	916	176	—
Debt securities		1,092	916	176	—
Financial assets at fair value through other comprehensive income	13	60,421	52,157	7,545	719
Equity instruments		1,320	1,178	36	106
Debt securities		59,074	50,952	7,509	613
Loans and advances to credit institutions		27	27	—	—
Derivatives – Hedge accounting	15	1,805	63	1,733	9
LIABILITIES					
Financial liabilities held for trading	10	91,135	26,215	64,305	615
Trading derivatives		31,705	4,755	26,560	389
Short positions		15,135	15,124	11	—
Deposits		44,294	6,335	37,733	226
Financial liabilities designated at fair value through profit or loss	12	9,683	1	8,243	1,439
Deposits from credit institutions		—	—	—	—
Customer deposits		809	—	809	—
Debt certificates issued		3,396	1	1,956	1,439
Other financial liabilities		5,479	—	5,479	—
Derivatives – Hedge accounting	15	2,626	53	2,573	—

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments recorded at fair value classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2023, 2022 and 2021.

Fair value of Financial Instruments by levels. (Millions of Euros)

ASSETS	Valuation techniques in Levels 2 and 3	Observable inputs in Levels 2 and 3	Unobservable inputs in Levels 2 and 3
Financial assets held for trading			
Equity instruments	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	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	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			
Interest rate	Interest rate products (Interest rate Swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black 76 and SABR Bond options: Black 76 Swaptions: Black, SABR and LGM Other Interest rate Options: Black, SABR and Libor Market Model 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			
Equity instruments	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	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Loans and advances	Discounted future cash flows		- Prepayment rates - Interest rates
Financial assets designated at fair value through profit or loss Debt securities	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	
Financial assets at fair value through other comprehensive income			
Equity instruments	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	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Hedging derivatives			
Interest rate	Interest rate products (Interest rate Swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black 76 and SABR Bond options: Black 76 Swaptions: Black, SABR and LGM Other Interest rate Options: Black, SABR and Libor Market Model 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

LIABILITIES	Valuation techniques in Levels 2 and 3	Observable inputs in Levels 2 and 3	Unobservable inputs in Levels 2 and 3
Financial liabilities held for trading			
Deposits	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			
Interest rate	Interest rate products (Interest rate Swaps, call money Swaps and FRA): Discounted cash flows Caps/Floors: Black 76 and SABR Bond options: Black 76 Swaptions: Black 76, SABR and LGM Other Interest rate Options: Black, SABR and Libor Market Model 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	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	**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			
Interest rate	Interest rate products (Interest rate Swaps, call money Swaps and FRA): Discounted cash flows Caps/Floors: Black 76 and SABR Bond options: Black 76 Swaptions: Black 76, SABR and LGM Other Interest rate Options: Black, SABR and Libor Market Model 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, 2023, 2022 and 2021.

Unobservable inputs. December 2023

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	—	136	4,369	bp
		Recovery rate	0 %	39 %	40 %	%
	Comparable Pricing		0 %	99 %	237 %	%
Equity/Fund instruments (1)	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	2.26 %	3.74 %	5.76 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation default	26 %	60 %	85 %	%
	Black 76	Price volatility				Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (2)				
		Correlations	(88 %)	52 %	99 %	%
		Volatility	8.47	29.41	70.94	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	4.31	10.24	18.52	Vegas
IR Derivatives	Option models on IR underlyings	Beta	3.00 %	5 %	11 %	%
		Correlation rate/credit	(100 %)		100 %	%
		Correlation rate/inflation	52 %	60 %	74 %	%

(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 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.

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, 2023 and 2022, related to OCA were €406 million and €333 million, respectively.

The amounts recognized in the consolidated balance sheets as of December 31, 2023, 2022 and 2021 related to the valuation adjustments incorporated to the credit assessment derivative assets amounted to €-133 million €-158 million and €-121 million, respectively as Credit Valuation Adjustments (CVA), and amounted to €91 million, €135 million and €104 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 was €26 million for the year ended December 31, 2023 and €0 million in 2022 and 2021.

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, 2023, 2022 and 2021, €-16 million, €-16 million and €-11 million related to the FVA were recognized in the consolidated balance sheet, being the impact on results €0 million, €-7 million and €-1 million, respectively.

Valuation adjustments for valuation uncertainty

The fair value of the positions recorded at fair value must reflect the valuation risk derived from the uncertainty in the valuation for concepts of pure uncertainty of prices, liquidity risk and model risks. This adjustment is aligned with the regulatory requirements for prudent valuation via valuation adjustments with an impact on CET1, and meets the requirements 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, 2023 corresponding to the mentioned adjustments was a net impact of €-54 million. An adjustment was also made as of December 31, 2023 on financial assets at fair value through other comprehensive income for a total of €-15 million (€-11 million in 2022).

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)

	2023		2022 (1)		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	**3,931**	**2,743**	**5,301**	**2,054**	**2,984**	**1,902**
Changes in fair value recognized in profit and loss (2)	(7)	113	289	(131)	338	143
Changes in fair value not recognized in profit and loss	21	(1)	(62)	14	(47)	(10)
Acquisitions, disposals and liquidations (3)	27	374	(783)	782	2,531	156
Net transfers to level 3	289	204	(750)	74	(436)	(80)
Exchange differences and others	3	34	(64)	(50)	(69)	(56)
Balance at the end	**4,264**	**3,467**	**3,931**	**2,743**	**5,301**	**2,054**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2023, 2022 and 2021. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".
(3) 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.

In 2023, as a result of the implementation of the multifactor criteria in the classification, which considers all the risk factors of the exposures, their observability and uncertainty, there is a reduction in exposure to derivatives in Level 3, offset by an increase in exposure classified at level 3 in positions of repurchases agreements positions due to unobservability in the inputs applied in their valuation. Therefore, the increase in Level 3 exposure would be focused on cash positions of variable income and fixed income due to unobservability in their prices.

In 2022, the net volume of exposures classified as level 3 has been reduced. This reduction was 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 was mitigated by the increase in the volume of level 3 exposures in derivatives, for which there was 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.

For the years ended December 31, 2023, 2022 and 2021, the profit/loss on sales of financial instruments classified as level 3 recognized in the consolidated income statement was not material.

Transfers among levels

The Global Valuation Area, 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, derivative positions, deposits, loans and advances from 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.

On a quarterly basis, the positions of equity instruments and debt securities are classified, following these criteria, by the local areas in coordination with Global Markets Valuation.

The financial instruments transferred among the different levels of measurement for the years ended December 31, 2023, 2022 and 2021 are at the following amounts in the consolidated balance sheets as of December 31, 2023, 2022 and 2021:

Transfers among levels. December 2023 (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	887	34	89	666	—	497
Non-trading financial assets mandatorily at fair value through profit or loss	1	135	—	70	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	1,191	21	1,296	205	103	243
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**2,079**	**190**	**1,385**	**941**	**103**	**740**
LIABILITIES						
Financial liabilities held for trading	596	3	36	177	1	372
Financial liabilities designated at fair value through profit or loss	—	—	—	660	—	262
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**596**	**3**	**36**	**837**	**1**	**635**

Transfer among levels (Millions of Euros)

	2022						2021					
From:	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS												
Financial assets held for trading	683	1	1,909	340	24	911	924	2	35	184	10	637
Non-trading financial assets mandatorily at fair value through profit or loss	—	—	243	—	53	2	8	—	—	—	14	23
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	596	17	506	50	—	6
Derivatives – Hedge accounting	—	—	—	—	—	—	—	—	—	—	—	—
Total	**2,407**	**1**	**2,990**	**340**	**95**	**996**	**1,528**	**19**	**542**	**234**	**24**	**665**
LIABILITIES												
Financial liabilities held for trading	524	—	239	141	—	258	562	—	24	57	15	95
Financial liabilities designated at fair value through profit or loss	—	—	—	221	—	55	—	—	—	38	—	65
Derivatives – Hedge accounting	—	—	—	25	—	—	—	—	—	—	—	—
Total	**524**	**—**	**239**	**387**	**—**	**313**	**562**	**—**	**24**	**95**	**15**	**160**

The amount of the financial instruments at fair value portfolio that were transferred among the different valuation levels during 2023 correspond mainly, with respect to Level 1 to Level 2, to the review of the classification among levels due to the implementation of the short term maturities model valuation of the listed options for those positions for which it is guaranteed that the inputs applied from real OTC market transactions are complied with the corroboration criteria. Additionally, there is a transfer of exposure Level 1 to Level 2 in cash positions in debt securities and equities, partially netted by a transfer of exposure Level 2 to Level 1, all directly related to the observability of the inputs. The volume of positions transferred from Level 2 to Level 3 is partly offset by the transfer of certain positions from Level 3 to Level 2, mainly in cash positions in debt securities, equities and loans and advances.

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

Sensitivity analysis

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

As of December 31, 2023, 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	
	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS								
Financial assets held for trading	21	33	(117)	(33)	—	—	—	—
Loans and advances	2	1	(2)	(1)	—	—	—	—
Debt securities	9	—	(22)	—	—	—	—	—
Equity instruments	—	25	(83)	(25)	—	—	—	—
Derivatives	9	6	(9)	(6)	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	5	135	(114)	(136)	—	—	—	—
Loans and advances	—	—	—	—	—	—	—	—
Debt securities	3	17	(21)	(19)	—	—	—	—
Equity instruments	2	118	(92)	(118)	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	34	25	(89)	(25)
Total	**26**	**168**	**(230)**	**(169)**	**34**	**25**	**(89)**	**(25)**
LIABILITIES								
Financial liabilities held for trading	13	7	(18)	(7)	—	—	—	—
Total	**13**	**7**	**(18)**	**(7)**	**—**	**—**	**—**	**—**

8.2 Fair value of financial instruments recognized at amortized cost according to valuation method

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.). Therefore, their valuations will be conditioned by the interest rates and spreads of the portfolios and their durations.

- 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 table below shows the fair value of the Group's financial instruments recognized at amortized cost in the consolidated balance sheets, broken down according to the valuation method used to determine their fair value, and their respective book value, as well as the main valuation techniques and inputs used for financial instruments classified in level 2 and level 3 as of December 31, 2023, 2022 and 2021:

Fair value of financial instruments recognized at amortized cost by levels. December 2023 (Millions of Euros)

	Notes	Book value	Fair value					
			Total	Level 1	Level 2	Level 3	Valuation techniques in Levels 2 and 3	Main inputs used in Levels 2 and 3
ASSETS								
Cash, cash balances at central banks and other demand deposits	9	75,416	75,416	75,114	—	303		
Financial assets at amortized cost	14	451,732	446,371	47,515	14,216	384,640		
Debt securities		49,462	48,952	41,950	6,244	759	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to central banks		7,151	7,152	5,534	1,347	272		
Loans and advances to credit institutions		17,477	17,500	32	5,662	11,805		
Loans and advances to customers		377,643	372,767	—	963	371,804		- Credit spread - Interest rate yield
LIABILITIES								
Financial liabilities at amortized cost	22	557,589	555,913	56,831	300,531	198,550		
Deposits from central banks		20,309	20,179	13,911	6,003	265	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions		40,039	40,009	—	33,793	6,216		
Customer deposits		413,487	411,342	1,448	228,726	181,168		
Debt certificates issued		68,707	69,339	41,472	24,341	3,526		
Other financial liabilities		15,046	15,043	—	7,668	7,376		

Fair value of financial instruments recognized at amortized cost by levels. December 2022 (1) (Millions of Euros)

	Notes	Book value	Fair value					
			Total	Level 1	Level 2	Level 3	Valuation techniques in Levels 2 and 3	Main inputs used in Levels 2 and 3
ASSETS								
Cash, cash balances at central banks and other demand deposits	9	79,756	79,756	79,463	—	293		
Financial assets at amortized cost	14	414,421	412,965	30,587	12,173	370,206		
Debt securities		36,639	36,311	26,239	9,313	759	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to central banks		4,401	4,401	4,259	—	142		
Loans and advances to credit institutions		16,031	16,089	89	1,289	14,711		
Loans and advances to customers		357,351	356,164	—	1,571	354,594		- Credit spread - Interest rate yield
LIABILITIES								
Financial liabilities at amortized cost	22	529,172	525,595	77,112	266,194	182,289		
Deposits from central banks		38,323	38,312	38,012	—	300	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions		26,935	26,777	—	20,546	6,231		
Customer deposits		394,404	392,805	1,158	230,821	160,826		
Debt certificates issued		55,429	53,550	37,942	7,240	8,368		
Other financial liabilities		14,081	14,151	—	7,587	6,564		

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

Fair value of financial instruments recognized at amortized cost by levels. December 2021 (Millions of Euros)

	Notes	Book value	Fair value					
			Total	Level 1	Level 2	Level 3	Valuation techniques in Levels 2 and 3	Main inputs used in Levels 2 and 3
ASSETS								
Cash, cash balances at central banks and other demand deposits	9	67,799	67,799	67,581	—	218		
Financial assets at amortized cost	14	372,676	377,451	33,213	13,033	331,205	Present-value method (Discounted future cash flows)	
Debt securities		34,781	36,448	26,876	8,755	817		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to central banks		5,681	5,682	5,682	—	—		
Loans and advances to credit institutions		13,276	13,264	72	863	12,329		
Loans and advances to customers		318,939	322,058	583	3,416	318,059		- Credit spread - Interest rate yield
LIABILITIES								
Financial liabilities at amortized cost	22	487,893	488,733	91,870	243,847	153,016	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from central banks		47,351	47,352	47,052	—	300		
Deposits from credit institutions		19,834	19,769	—	14,853	4,916		
Customer deposits		349,761	349,277	2,129	209,345	137,803		
Debt certificates issued		55,763	57,094	42,689	10,014	4,391		
Other financial liabilities		15,183	15,242	—	9,636	5,606		

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	2023	2022	2021
Cash on hand		7,751	6,533	6,877
Cash balances at central banks		60,750	67,314	55,004
Other demand deposits		6,916	5,909	5,918
Total	**8.2**	**75,416**	**79,756**	**67,799**

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	2023	2022	2021
ASSETS				
Derivatives		34,293	39,908	30,933
Equity instruments	7.2.2	4,589	4,404	15,963
Credit institutions		277	317	816
Other sectors		4,312	4,086	15,147
Debt securities	7.2.2	28,569	24,367	25,790
Issued by central banks		740	821	936
Issued by public administrations		24,766	20,703	21,946
Issued by financial institutions		1,824	1,365	1,130
Other debt securities		1,239	1,477	1,778
Loans and advances	7.2.2	73,590	41,993	50,807
Loans and advances to central banks		2,809	1,632	3,467
Reverse repurchase agreement		*2,809*	*1,632*	*3,467*
Loans and advances to credit institutions		56,599	25,231	31,916
Reverse repurchase agreement (1)		*56,569*	*25,201*	*31,901*
Loans and advances to customers		14,182	15,130	15,424
Reverse repurchase agreement		*13,615*	*14,832*	*14,916*
Total assets	**8.1**	**141,042**	**110,671**	**123,493**
LIABILITIES				
Derivatives		33,045	37,909	31,705
Short positions		15,735	13,487	15,135
Deposits		72,935	44,215	44,294
Deposits from central banks		6,397	3,950	11,248
Repurchase agreement		*6,397*	*3,950*	*11,248*
Deposits from credit institutions		43,337	28,924	16,176
Repurchase agreement (1)		*42,676*	*28,573*	*15,632*
Customer deposits		23,201	11,341	16,870
Repurchase agreement		*23,157*	*11,302*	*16,824*
Total liabilities	**8.1**	**121,715**	**95,611**	**91,135**

(1) The variation is mainly due to the evolution of "Reverse repurchase agreement" of BBVA, S.A. partially compensated with the evolution of "Repurchase agreement" of BBVA, S.A.

As of December 31, 2023, 2022 and 2021 “Short positions” include €14,914 million, €12,544 million and €14,298 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, 2023, 2022 and 2021, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of credit institutions and other financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown by type of risk and market, of the fair value and notional amounts of derivatives recognized in the 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)

	2023			2022			2021		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	**15,251**	**13,171**	**9**	**19,563**	**18,220**	**4,286,531**	**15,782**	**15,615**	**3,902,760**
OTC	15,248	13,167	4,722,314	19,558	18,215	4,278,249	15,774	15,610	3,884,561
Organized market	3	4	19,315	5	5	8,282	8	5	18,199
Equity instruments	**2,587**	**3,723**	**70,804**	**3,067**	**3,770**	**76,749**	**2,802**	**4,123**	**72,656**
OTC	1,212	2,551	49,038	1,810	2,127	52,739	775	1,930	48,695
Organized market	1,375	1,172	21,767	1,257	1,643	24,010	2,028	2,192	23,962
Foreign exchange and gold	**15,911**	**15,608**	**632,780**	**16,971**	**15,528**	**589,705**	**12,104**	**11,471**	**533,395**
OTC	15,889	15,590	623,203	16,954	15,505	580,850	12,090	11,445	526,590
Organized market	22	18	9,577	17	23	8,855	14	26	6,805
Credit	**543**	**542**	**31,478**	**299**	**383**	**43,450**	**236**	**490**	**19,937**
Credit default swap	540	528	29,844	293	282	41,760	236	254	18,121
Credit spread option	—	—	—	—	—	—	—	—	—
Total return swap	3	14	1,475	7	101	1,665	—	236	1,815
Other	—	—	159	—	—	25	—	—	—
Commodities	**1**	**1**	**169**	**9**	**8**	**60**	**8**	**7**	**149**
DERIVATIVES	**34,293**	**33,045**	**0**	**39,908**	**37,909**	**4,996,495**	**30,933**	**31,705**	**4,528,897**
Of which: OTC - credit institutions	*23,998*	*23,977*	*1,463,433*	*28,385*	*26,454*	*1,205,895*	*21,069*	*22,488*	*1,073,921*
Of which: OTC - other financial corporations	*5,042*	*4,412*	*3,815,162*	*5,745*	*4,493*	*3,587,546*	*3,300*	*3,075*	*3,257,382*
Of which: OTC - other	*3,854*	*3,461*	*147,310*	*4,501*	*5,290*	*161,882*	*4,514*	*3,919*	*148,629*

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	2023	2022	2021
Equity instruments [(1)]	7.2.2	7,963	6,511	5,303
Debt securities	7.2.2	484	129	128
Loans and advances to customers	7.2.2	290	247	655
Total	**8.1**	**8,737**	**6,888**	**6,086**

(1) As of December 31, 2023, BBVA maintains a direct stake in Neon Payments Limited of 22.6% 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	2023	2022	2021
ASSETS				
Debt securities	7.2.2 / 8.1	955	913	1,092
LIABILITIES				
Customer deposits		717	700	809
Debt certificates issued		3,977	3,288	3,396
Other financial liabilities: Unit-linked products		8,605	6,592	5,479
Total liabilities	**8.1**	**13,299**	**10,580**	**9,683**

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	2023	2022	2021
Equity instruments	7.2.2	1,217	1,198	1,320
Debt securities [(1)]		60,963	64,150	59,074
Loans and advances to credit institutions	7.2.2	26	26	27
Total	**8.1**	**62,205**	**65,374**	**60,421**
Of which: loss allowances of debt securities		*(84)*	*(123)*	*(74)*

(1) This includes redesignations from the heading "Financial assets at amortized cost" due to the application of IFRS 17 (see Notes 1.3 and 2.3 and Appendix XIII). During financial years 2023, 2022 and 2021, there have been no other 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, 2023, 2022 and 2021 is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)

	2023	2022	2021
Listed equity instruments			
Spanish companies shares	987	960	1,088
Foreign companies shares	111	138	125
Mexico	*33*	*31*	*29*
The United States	*52*	*44*	*29*
Turkey	*6*	*7*	*5*
Other countries	*20*	*56*	*63*
Subtotal listed equity instruments	**1,098**	**1,098**	**1,214**
Unlisted equity instruments			
Spanish companies shares	12	12	11
Foreign companies shares	106	87	95
Subtotal unlisted equity instruments	**119**	**100**	**107**
Total	**1,217**	**1,198**	**1,320**

13.3 Debt securities

The breakdown of the balance under the heading "Debt securities" of the consolidated financial statements as of December 31, 2023, 2022 and 2021, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)

	2023	2022 (1)	2021
Domestic debt securities			
Government and other government agency	13,757	17,429	16,544
Central banks	—	—	—
Credit institutions	901	854	1,176
Other issuers	454	495	635
Subtotal	**15,111**	**18,779**	**18,355**
Foreign debt securities			
Mexico	**21,714**	**16,819**	**10,769**
Government and other government agency	20,364	15,452	10,141
Central banks	—	—	—
Credit institutions	886	777	118
Other issuers	464	590	510
The United States	**6,344**	**5,202**	**3,926**
Government and other government agency	3,174	2,716	1,744
Central banks	—	—	—
Credit institutions	88	93	116
Other issuers	3,082	2,393	2,065
Turkey	**2,459**	**3,858**	**2,920**
Government and other government agency	2,445	3,858	2,920
Central banks	—	—	—
Credit institutions	—	—	—
Other issuers	14	—	—
Other countries	**15,336**	**19,493**	**23,105**
Other foreign governments and government agency	8,961	10,340	14,960
Central banks	508	3,094	1,696
Credit institutions	1,895	2,167	2,448
Other issuers	3,971	3,892	4,001
Subtotal	**45,852**	**45,372**	**40,719**
Total	**60,963**	**64,150**	**59,074**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

The credit ratings of the issuers of debt securities as of December 31, 2023, 2022 and 2021 are as follows:

Debt securities by rating

	2023		2022 (1)		2021	
	Fair value (Millions of Euros)	**%**	**Fair value (Millions of Euros)**	**%**	**Fair value (Millions of euros)**	**%**
AAA	1,000	1.6 %	3,339	5.2 %	2,413	4.1 %
AA+	3,685	6.0 %	490	0.8 %	586	1.0 %
AA	384	0.6 %	420	0.7 %	646	1.1 %
AA-	642	1.1 %	501	0.8 %	327	0.6 %
A+	1,798	3.0 %	3,866	6.0 %	6,179	10.5 %
A	1,747	2.9 %	1,725	2.7 %	1,676	2.8 %
A-	16,009	26.3 %	20,350	31.7 %	18,760	31.8 %
BBB+	22,854	37.5 %	17,252	26.9 %	11,465	19.4 %
BBB	8,327	13.7 %	7,470	11.6 %	10,961	18.6 %
BBB-	858	1.4 %	1,111	1.7 %	1,310	2.2 %
BB+ or below	3,480	5.7 %	7,366	11.5 %	4,379	7.4 %
Unclassified	178	0.3 %	258	0.4 %	372	0.6 %
Total	**60,963**	**100.0 %**	**64,150**	**100.0 %**	**59,074**	**100.0 %**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

13.4 Gains/losses

The changes in the gains/losses (net of taxes) in 2023, 2022 and 2021 of debt securities recognized under the equity heading "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income" and equity instruments recognized under the equity heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss –Fair value changes of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheets are as follows:

Other comprehensive income - Changes in gains (losses) (Millions of Euros)

		Debt securities			Equity instruments		
	Notes	2023	2022 (1)	2021	2023	2022 (1)	2021
Balance at the beginning		**(809)**	**1,274**	**2,069**	**(1,194)**	**(1,079)**	**(1,256)**
Valuation gains and losses		659	(3,049)	(1,058)	80	(112)	183
Amounts transferred to income		5	20	(63)			
Amounts transferred to Reserves					2	(2)	—
Income tax and other		(211)	946	325	(1)	(1)	(7)
Balance at the end	**30**	**(356)**	**(809)**	**1,274**	**(1,112)**	**(1,194)**	**(1,079)**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

In 2023, 2022 and 2021, equity instruments presented an increase of €80 million, a decrease of €112 million and an increase of €183 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. Likewise, the valuations of debt securities have been affected by the evolution of interest rates.

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	2023	2022	2021
Debt securities [1]		**49,462**	**36,639**	**34,781**
Central banks		22	21	15
Government		45,124	34,648	32,130
Credit institutions		2,366	400	817
Other financial corporations		923	602	525
Non-financial corporations		1,027	967	1,295
Loans and advances to central banks		**7,151**	**4,401**	**5,681**
Loans and advances to credit institutions		**17,477**	**16,031**	**13,276**
Reverse repurchase agreement		5,786	5,251	2,788
Other loans and advances		11,690	10,780	10,488
Loans and advances to customers	**7.2.2**	**377,643**	**357,351**	**318,939**
Government		23,265	20,892	19,682
Other financial corporations		13,251	12,765	9,804
Non-financial corporations		171,063	165,433	140,993
Other		170,063	158,261	148,461
Total	**8.1**	**451,732**	**414,421**	**372,676**
Of which: impaired assets of loans and advances to customers	*7.2.2*	*14,444*	*13,493*	*14,657*
Of which: loss allowances of loans and advances	*7.2.5*	*(11,316)*	*(11,291)*	*(11,142)*
Of which: loss allowances of debt securities		*(82)*	*(91)*	*(52)*

(1) This includes redesignations to the heading "Financial assets at fair value through other comprehensive income" due to the application of IFRS 17 (see Notes 1.3, 2.3 and Appendix XIII). During 2023, 2022 and 2021, there have been no other 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)	2023	2022 (1)	2021
Domestic debt securities			
Government and other government agencies	25,857	18,397	17,693
Credit institutions	1,028	—	—
Other issuers	230	144	337
Subtotal	**27,114**	**18,541**	**18,031**
Foreign debt securities			
Mexico	**6,277**	**4,222**	**8,464**
Government and other government agencies	6,205	4,198	7,669
Credit institutions	72	24	614
Other issuers	—		181
The United States	**2,229**	**2,215**	**93**
Government and other government agencies	2,188	2,159	10
Credit institutions	19	25	26
Other issuers	21	31	57
Turkey	**6,284**	**5,332**	**2,634**
Government and other government agencies	6,167	5,325	2,628
Credit institutions	8	6	5
Other issuers	109	—	—
Other countries	**7,558**	**6,328**	**5,559**
Other foreign governments and other government agency	4,707	4,568	4,144
Central banks	22	21	—
Credit institutions	1,239	345	171
Other issuers	1,591	1,394	1,243
Subtotal	**22,348**	**18,097**	**16,750**
Total	**49,462**	**36,639**	**34,781**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

As of December 31, 2023, 2022 and 2021, the distribution according to the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, was as follows:

Debt securities by rating	2023		2022 (1)		2021	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	1,829	3.7 %	3,068	8.4 %	143	0.4 %
AA+	3,096	6.3 %	217	0.6 %	77	0.2 %
AA	142	0.3 %	82	0.2 %	76	0.2 %
AA-	60	0.1 %	76	0.2 %	69	0.2 %
A+	25	0.1 %	13	— %	62	0.2 %
A	444	0.9 %	524	1.4 %	619	1.8 %
A-	24,739	50.0 %	17,050	46.5 %	16,312	46.9 %
BBB+	6,615	13.4 %	4,710	12.9 %	9,336	26.8 %
BBB	4,551	9.2 %	4,091	11.2 %	3,853	11.1 %
BBB-	548	1.1 %	351	1.0 %	527	1.5 %
BB+ or below	6,642	13.4 %	5,789	15.8 %	3,120	9.0 %
Unclassified	772	1.6 %	667	1.8 %	587	1.7 %
Total	**49,462**	**100.0 %**	**36,639**	**100.0 %**	**34,781**	**100.0 %**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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)			
	2023	2022 (1)	2021
On demand and short notice	3,040	4,101	3,161
Credit card debt	22,889	18,898	14,030
Trade receivables	25,096	25,987	19,524
Finance leases	9,463	8,571	7,911
Reverse repurchase agreement	92	102	23
Other term loans	312,186	294,059	268,047
Advances that are not loans	4,877	5,633	6,243
Total	**377,643**	**357,351**	**318,939**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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, 2023, 2022 and 2021:

Loans and advances maturing in more than one year by fixed and variable rate (Millions of Euros)									
	2023			2022			2021		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Fixed rate	63,060	77,381	140,441	59,394	67,874	127,269	56,756	62,228	118,984
Variable rate	66,188	61,723	127,911	69,647	53,440	123,087	75,544	44,237	119,781
Total	**129,248**	**139,104**	**268,352**	**129,042**	**121,314**	**250,356**	**132,300**	**106,465**	**238,765**

As of December 31, 2023, 2022 and 2021, 52%, 51% and 50%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 48%, 49% and 50%, 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)			
	2023	2022	2021
Securitized mortgage assets	20,406	23,290	23,695
Other securitized assets	8,493	5,495	6,547
Total	**28,899**	**28,784**	**30,242**

Furthermore, this heading includes a deposit with the Bank of France associated with the contribution to the Single Resolution Fund for the years 2018, 2017 and 2016, which was made in the form of an irrevocable payment commitment given its amount recoverable as of 31 December 2023. The resolution of the appeal filed by a financial institution outside the Group against the dismissal decision of the Court of Justice of the European Union in this regard is expected throughout 2024, which could lead to a claim by the Single Resolution Board. In any case, BBVA Group balance of this deposit as of December 31, 2023 is not significant.

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)			
	2023	2022	2021
ASSETS			
Derivatives - Hedge accounting	1,482	1,891	1,805
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(97)	(148)	5
LIABILITIES			
Derivatives - Hedge accounting	2,625	3,303	2,626
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—	—

As of December 31, 2023, 2022 and 2021, 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 (see Note 30).

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)

	Notes	2023		2022		2021	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate		**422**	**364**	**656**	**376**	**697**	**322**
OTC		422	364	656	376	697	322
Organized market		—	—	—	—	—	—
Equity		**—**	**—**	**—**	**—**	**—**	**—**
OTC		—	—	—	—	—	—
Organized market		—	—	—	—	—	—
Foreign exchange and gold		**221**	**31**	**259**	**83**	**463**	**135**
OTC		221	31	259	83	463	135
Organized market		—	—	—	—	—	—
Credit		—	—	—	—	—	—
Commodities		**—**	**—**	**—**	**—**	**—**	**—**
Other		**—**	**—**			**—**	**—**
FAIR VALUE HEDGES		**644**	**395**	**915**	**459**	**1,160**	**457**
Interest rate		**490**	**2,048**	**470**	**2,763**	**228**	**1,786**
OTC		483	2,048	454	2,763	226	1,786
Organized market		7	—	16		2	—
Equity		—	—	—	—	—	—
Foreign exchange and gold		**291**	**41**	**239**	**46**	**180**	**79**
OTC		291	41	239	45	180	79
Organized market		—	1	—	1	—	—
Credit		—	—	—	—	—	—
Commodities		**—**	**—**	**—**	**—**	**—**	**—**
Other		**—**	**—**	**—**	**—**	**—**	**—**
CASH FLOW HEDGES		**781**	**2,089**	**708**	**2,809**	**408**	**1,865**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION		**27**	**136**	**213**	**26**	**198**	**196**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK		**3**	**5**	**7**	**8**	**18**	**95**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK		**27**	**—**	**48**	**1**	**21**	**13**
DERIVATIVES-HEDGE ACCOUNTING	**8.1**	**1,482**	**2,625**	**1,891**	**3,303**	**1,805**	**2,626**
of which: OTC - credit institutions		*1,237*	*2,404*	*1,577*	*2,911*	*1,454*	*2,248*
of which: OTC - other financial corporations		*237*	*221*	*297*	*391*	*349*	*378*

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		Recognized ineffectiveness in profit or loss	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS										
Financial assets measured at fair value through other comprehensive income	**11,308**	**13,667**	**(652)**	**(1,024)**	**172**	**2**	**—**	**—**	**(5)**	**(45)**
Debt securities	11,308	13,667	(652)	(1,024)	172	2	—	—		
Interest rate	*11,308*	*13,601*	*(652)*	*(1,024)*	*172*	*2*	—	—		
Foreign exchange and gold	—	—	—	—	—	—	—	—		
Other	—	*66*	—	—	—	—	—	—		
Loans and advances	—	—	—	—	—	—	—	—		
Interest rate	—	—	—	—	—	—	—	—		
Foreign exchange and gold	—	—	—	—	—	—	—	—		
Other	—	—	—	—	—	—	—	—		
Financial assets measured at amortized cost	**3,248**	**4,838**	**(114)**	**(485)**	**685**	**13**	**936**	**1,179**	**14**	**—**
Debt securities	2,304	4,164	(119)	(397)	685	13	—	—		
Interest rate	*2,304*	*4,164*	*(119)*	*(397)*	*685*	*13*	—	—		
Foreign exchange and gold	—	—	—	—	—	—	—	—		
Loans and advances	944	675	5	(88)	—	—	936	1,179		
Interest rate	*944*	*672*	*5*	*(88)*	—	—	*936*	*1,179*		
Foreign exchange and gold	—	*3*	—	—	—	—				
LIABILITIES										
Financial liabilities measured at amortized costs	**47,180**	**34,898**	**509**	**1,299**	**—**	**—**	**—**	**—**	**(20)**	**(5)**
Debt securities issued	37,916	33,447	600	1,372	—	—	—	—		
Interest rate	*37,915*	*33,447*	*600*	*1,372*	—	—	—	—		
Foreign exchange and gold	*1*	—	—	—	—	—	—	—		
Deposits	9,263	1,451	(91)	(73)	—	—	—	—		
Interest rate	*9,258*	*1,446*	*(91)*	*(73)*	—	—	—	—		
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, 2023:

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	**6,235**	**15,249**	**28,110**	**13,953**	**63,547**
Of which: Interest rate	*5,627*	*15,230*	*27,360*	*13,091*	*61,308*
CASH FLOW HEDGES	**7,819**	**9,691**	**14,635**	**4,963**	**37,107**
Of which: Interest rate	*7,819*	*9,683*	*13,232*	*2,843*	*33,577*
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**11,391**	**1,343**	**—**	**—**	**12,735**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**250**	**597**	**1,828**	**747**	**3,423**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**—**	**—**	**311**	**46**	**358**
DERIVATIVES-HEDGE ACCOUNTING	**25,695**	**26,881**	**44,884**	**19,709**	**117,169**

In 2023, 2022 and 2021, 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, 2023, 2022 and 2021 were not material.

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	**2023**	**2022**	**2021**
Altura Markets, S.V., S.A.	31	42	76
RCI Colombia	40	36	40
Desarrollos Metropolitanos del Sur, S.L.	—	—	18
Other	22	22	18
Subtotal	**93**	**100**	**152**
Associates			
Metrovacesa, S.A.	259	259	259
BBVA Allianz Seguros y Reaseguros, S.A.	251	248	254
Atom Holdco Ltd	211	132	77
Solaris SE	34	66	61
Cofides	35	31	28
Redsys servicios de procesamiento, S.L.	22	20	19
Servicios Electrónicos Globales S.A. de CV	36	23	15
Other	37	37	35
Subtotal	**883**	**816**	**749**
Total	**976**	**916**	**900**

Details of the joint ventures and associates as of December 31, 2023 are shown in Appendix II.

The following is a summary of the changes in the years ended December 31, 2023, 2022 and 2021 under this heading in the consolidated balance sheets:

Joint ventures and associates. Changes in the year (Millions of Euros)

	Notes	2023	2022	2021
Balance at the beginning		**916**	**900**	**1,437**
Acquisitions and capital increases		95	87	22
Disposals and capital reductions		(42)	(88)	(1)
Transfers and changes of consolidation method		4	—	(559)
Share of profit and loss	39	26	20	1
Exchange differences		16	(1)	9
Impairment / reversal of impairment (1)		(9)	42	—
Dividends, valuation adjustments and other		(30)	(44)	(9)
Balance at the end		**976**	**916**	**900**

(1) See Note 16.3.

During the years 2023 and 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.

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, 2023, 2022 and 2021 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, 2023, 2022 and 2021 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, 2023, an impairment was recorded for €9 million; 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 (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 2023 (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		**6,255**	**93**	**5,833**	**1,871**	**214**	**242**	**582**	**15,089**
Additions		270	190	549	499	10	39	238	1,795
Retirements		(19)	(4)	(117)	(195)	—	(10)	(4)	(349)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		12	(72)	41	(18)	15	—	—	(22)
Exchange difference and other		(113)	(8)	118	55	—	(115)	(16)	(79)
Balance at the end		**6,405**	**199**	**6,424**	**2,212**	**238**	**156**	**800**	**16,432**
Accrued depreciation									
Balance at the beginning		**1,064**	**—**	**4,204**	**653**	**70**	**23**	**52**	**6,066**
Additions	45	121	—	426	296	21	3	—	867
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		(9)	—	(73)	(26)	—	(1)	(1)	(111)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(2)	—	(7)	(5)	3	1	—	(11)
Exchange difference and other		52	—	57	(12)	—	(9)	(3)	85
Balance at the end		**1,226**	**—**	**4,606**	**906**	**93**	**17**	**49**	**6,896**
Impairment									
Balance at the beginning		**154**	**—**	**—**	**65**	**50**	**17**	**—**	**286**
Additions	49	15	—	1	(14)	12	2	—	16
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		—	—	—	—	—	—	—	—
Exchange difference and other		(3)	—	(1)	(11)	—	(3)	—	(18)
Balance at the end		**166**	**—**	**—**	**40**	**61**	**15**	**—**	**283**
Net tangible assets									
Balance at the beginning		**5,036**	**93**	**1,629**	**1,153**	**94**	**201**	**530**	**8,737**
Balance at the end		**5,013**	**199**	**1,817**	**1,266**	**84**	**124**	**751**	**9,253**

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 "Financial Reporting in Hyperinflationary Economies" implementation in Turkey (see Note 2.2.18).

Tangible assets. Breakdown by type of assets and changes in the year 2021 (Millions of euros)

					Right to use asset				
	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Own use	Investment properties	Investment properties	Assets leased out under an operating lease	Total
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		—	—	—	—	—	—	—	—
Companies held for sale		—	—	—	—	—	—	—	—
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		—	—	—	—	—	—	—	—
Companies held for sale		—	—	—	—	—	—	—	—
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
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale		—	—	—	—	—	—	—	—
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).

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, 2023, 2022 and 2021, the cost of fully amortized tangible assets that remained in use were €2,796, €2,443 and €2,318 million respectively while its recoverable residual value was not significant.

As of December 31, 2023, 2022 and 2021 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)	**2023**	**2022**	**2021**
Spain	1,882	1,886	1,895
Mexico	1,706	1,733	1,716
South America	1,395	1,418	1,434
Turkey	935	972	1,006
Rest	31	31	32
Total	**5,949**	**6,040**	**6,083**

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, 2023, 2022 and 2021:

Tangible assets by Spanish and foreign subsidiaries. Net assets values (Millions of euros)	**2023**	**2022 (1)**	**2021**
BBVA and Spanish subsidiaries	4,183	4,285	3,873
Foreign subsidiaries	5,071	4,452	3,425
Total	**9,253**	**8,737**	**7,298**

(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.

Purchase of Tree *Inversiones Inmobiliarias* SOCIMI, S.A. (Tree) from 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 was 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)

	Mexico	Turkey [1]	Colombia	Chile	Other	Total
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	—	—	—	—	—	—
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**
Additions	—	—	—	—	—	—
Exchange difference	64	—	25	(1)	—	88
Impairment	—	—	—	—	—	—
Companies held for sale	—	—	—	—	—	—
Balance as of December 31, 2023	**623**	**—**	**143**	**24**	**5**	**795**

(1) As a result of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" as indicated in Note 2.2.18, 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 2023, 2022 and 2021.

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, 2023, 2022 and 2021 are as follows:

Impairment test assumptions CGU goodwill in Mexico

	2023	2022	2021
Discount rate (1)	12.4 %	12.7 %	14.5 %
Growth rate	5.6 %	6.3 %	5.7 %

(1) After tax discount rates.

In accordance with paragraph 33.c of IAS 36, as of December 31, 2023, the Group used a growth rate of 5.6% 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, 2023, 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	(6 %)	7 %
Growth rate	5 %	(4 %)

(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 "Financial Reporting in Hyperinflationary Economies" in 2022, as indicated in Note 2.2.18, 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 in their entirety.

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)

	2023	2022	2021
Computer software acquisition expense	1,535	1,393	1,239
Other intangible assets with an infinite useful life	8	13	12
Other intangible assets with a definite useful life	25	43	128
Total	**1,568**	**1,449**	**1,379**

The changes of this heading during the years ended December 31, 2023, 2022 and 2021, are as follows:

Other intangible assets (Millions of Euros)	Notes	Computer software			Other intangible assets			Total of intangible assets		
		2023	2022	2021	2023	2022	2021	2023	2022	2021
Balance at the beginning		**1,396**	**1,239**	**1,202**	**56**	**140**	**233**	**1,453**	**1,379**	**1,435**
Additions		688	592	470	1	—	—	689	592	470
Amortization in the year	45	(518)	(490)	(446)	(19)	(20)	(48)	(536)	(510)	(494)
Amortization transfer to discontinued operations		—	—	—	—	—	—	—	—	—
Exchange differences and other		(6)	80	29	(5)	(63)	(45)	(11)	17	(16)
Impairment		(26)	(25)	(15)	—	—	—	(26)	(25)	(15)
Balance at the end		**1,535**	**1,396**	**1,239**	**33**	**56**	**140**	**1,568**	**1,453**	**1,379**

As of December 31, 2023, 2022 and 2021, the cost of fully amortized intangible assets that remained in use were €4,214 million, €3,490 million and €2,992 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

As of December 31, 2023, the BBVA consolidated tax group in Spain was undergoing inspection in connection with the years 2018 to 2020, 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.

On the other hand, in relation to the main jurisdictions in which the Group is present and carries out its activity and in continuity with what is indicated in the Consolidated Financial Statements for the year 2022, in the case of Mexico during the year 2023, the inspection procedure corresponding to the year 2017 in BBVA Mexico, S.A. has been completed. The settlement issued by the Tax Administration Service (SAT), as a result of said inspection procedure, has been appealed by BBVA Mexico in administrative proceedings, which has not been resolved at the date of preparation of these financial statements. However, the Group and its tax advisors believe that, in the event that any such liability were to materialize, the resulting tax liability would not materially affect the Group's consolidated financial statements.

In addition, BBVA México, S.A. is currently under inspection for income tax and value added tax for the year 2018.

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)

	2023		2022 (1)		2021	
	Amount	Effective tax %	Amount	Effective tax %	Amount	Effective tax %
Profit or (-) loss before tax	**12,419**		**10,268**		**8,399**	
From continuing operations	*12,419*		*10,268*		*7,247*	
From discontinued operations	*—*		*—*		*1,152*	
Taxation at Spanish corporation tax rate 30%	3,726		3,080		2,519	
Lower/higher effective tax rate from foreign entities (2)	2		317		(332)	
Mexico	*(194)*	*27 %*	*(203)*	*26 %*	*(109)*	*27 %*
Chile	*(4)*	*11 %*	*(8)*	*13 %*	*(5)*	*22 %*
Colombia	*(25)*	*14 %*	*24*	*37 %*	*—*	*30 %*
Peru	*(55)*	*20 %*	*(16)*	*27 %*	*5*	*31 %*
Turkey	*314*	*57 %*	*621*	*70 %*	*(125)*	*23 %*
USA	*5*	*33 %*	*17*	*17 %*	*(62)*	*19 %*
Others	*(39)*		*(118)*		*(36)*	
Revenues with lower tax rate (dividends/capital gains)	(26)		(25)		(30)	
Equity accounted earnings	(8)		(6)		—	
USA Sale effect	—		—		544	
Other effects	309		139		80	
Income tax	**4,003**		**3,505**		**2,781**	
Of which: Continuing operations	*4,003*		*3,505*		*1,909*	
Of which: Discontinued operations			*—*		*872*	

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 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.

The effective income tax rate for the Group in the years ended December 31, 2023, 2022 and 2021 is as follows:

Effective tax rate (Millions of Euros)

	2023	2022 (1)	2021
Income from:			
Consolidated tax group in Spain	2,601	2,206	655
Other Spanish entities	6	(462)	5
Foreign entities	9,812	8,524	6,587
Gains (losses) before taxes from continuing operations	**12,419**	**10,268**	**7,247**
Tax expense or income related to profit or loss from continuing operations	4,003	3,505	1,909
Effective tax rate	**32.2%**	**34.1 %**	**26.3 %**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

In 2023, in general terms, there have been no changes in the nominal corporate income tax rate in the main countries in which the Group is present compared to those existing in the previous period, except in the case of Turkey, where the applicable tax rate has increased from 25% to 30%, and Colombia, where the tax rate has increased from 38% to 40%. In the year 2022, out of the main countries in which the Group is present, there were changes in the nominal corporate income tax rate (compared to those existing in the previous year) in Colombia (from 34% to 38%).

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)

	2023	2022 (1)	2021
Charges/credits to total equity			
Debt securities and others	217	801	(174)
Equity instruments	68	(56)	(33)
Total	**285**	**745**	**(207)**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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)

	2023	2022 (1)	2021
Tax assets			
Current tax assets (2)	2,860	1,978	932
Deferred tax assets	14,641	14,747	14,917
Pensions	*445*	*422*	*416*
Financial Instruments	*1,069*	*1,478*	*1,408*
Loss allowances	*2,127*	*1,834*	*1,676*
Other	*1,467*	*1,261*	*1,101*
Secured tax assets	*8,534*	*8,689*	*9,304*
Tax losses	*999*	*1,063*	*1,012*
Total	**17,501**	**16,725**	**15,850**
Tax liabilities			
Current tax liabilities (2)	878	1,415	644
Deferred tax liabilities	1,677	1,520	1,769
Financial Instruments	*761*	*557*	*1,124*
Other	*916*	*963*	*645*
Total	**2,554**	**2,935**	**2,413**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) The increase in current tax assets relates mainly to a higher tax receivable by the tax group in Spain for the refund of year 2023 corporate income tax as a result of the instalment payments made in the year. On the other hand, the decrease in current tax liabilities mainly corresponds to a lower tax payable in Mexico in relation to the estimated corporate income tax for the year 2023, due to the increase in its installment payments for the year.

The most significant variations of the deferred tax assets and liabilities in the years 2023, 2022 and 2021 were derived from the following items:

Deferred tax assets and liabilities. Annual variations (Millions of Euros)

	2023		2022 (1)		2021	
	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities
Balance at the beginning	**14,747**	**1,520**	**14,917**	**1,769**	**15,327**	**1,809**
Pensions	23	—	6	—	(23)	—
Financials instruments	(409)	204	70	(567)	116	216
Loss allowances	293	—	158	—	(7)	—
Others	206	(47)	160	318	32	(256)
Secured tax assets	(155)	—	(615)	—	(57)	—
Tax losses	(64)	—	51	—	(471)	—
Balance at the end	**14,641**	**1,677**	**14,747**	**1,520**	**14,917**	**1,769**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

With respect to the changes in deferred tax assets and liabilities in 2023 contained in the above table, the following should be pointed out:

– Secured tax assets decrease as a result of the offsetting of these assets provided for in the estimate of the Spanish tax group's income tax for 2023.

– The decrease in tax assets due to tax losses occurs because, in 2023, the tax Group in Spain generates positive taxable income that allows the offsetting of tax losses and deductions.

– The evolution of deferred tax assets (other than those guaranteed and those linked to tax losses) net of deferred tax liabilities, remains at very similar levels, although with a certain net reduction, since the increase experienced by Mexico (mainly due to the exchange rate effect) and Turkey (among others, due to the tax revaluation of its assets associated with inflation) is neutralized, especially, by the net decrease in Spain, among others, due to the effects associated with the valuations of financial instruments. The very functioning of corporate income tax, due to the differences between accounting and taxation, produces 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, 2023, 2022 and 2021, 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 €96, €88 and €93 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)			
	2023	**2022**	**2021**
Pensions	1,622	1,622	1,759
Loss allowances	6,912	7,067	7,545
Total	**8,534**	**8,689**	**9,304**

As of December 31, 2023, non-guaranteed net deferred tax assets of the above table amounted to €4,430 million (€4,537 and €3,844 million as of December 31, 2022 and 2021, respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €1,805 million as of December 31, 2023 (€2,424 and €2,342 million as of December 31, 2022 and 2021, respectively). €883 million of the figure recorded in the year ended December 31, 2023 for net deferred tax assets related to tax credits and tax loss carry forwards and €922 million relate to temporary differences.

- Mexico: Net deferred tax assets recognized in Mexico amounted to €1,899 million as of December 31, 2023 (€1,640 and €1,121 million as of December 31, 2022 and 2021, respectively). Practically all of deferred tax assets as of December 31, 2023 relate to temporary differences.

- South America: Net deferred tax assets recognized in South America amounted to €213 million as of December 31, 2023 (€227 and €65 million as of December 31, 2022 and 2021, respectively). Of the figure recorded at year-end 2023 for net deferred tax assets, €86 million relate to tax credits for tax loss carryforwards and €127 million have arisen as temporary differences.

- Turkey: Net deferred tax assets recognized in Turkey amounted to €499 million as of December 31, 2023 (€228 and €302 million as of December 31, 2022 and 2021, respectively).Practically, all of the deferred tax assets have arisen as temporary differences.

With regard to Turkey, it should be noted that both its tax rate and its net deferred assets have been affected by the evolution of the country's tax regulations during 2023, which has entailed, on the one hand, (i) the revaluation, from a tax point of view, of certain non-monetary assets based on inflation, highlighting in this respect the positive impact generated in the first quarter of the year consisting of an initial credit to the corporate income tax expense in the consolidated financial statements of the BBVA Group, amounting to approximately 260 million euros, and on the other hand, (ii) the modification of the general corporate income tax rate, which increases from 20% to 25% (30% for banks and financial institutions) and which is applicable to profits generated in tax periods beginning on or after January 1, 2023. It has not had a material impact on the consolidated financial statements of the BBVA Group.

Based on the information available as of December 31, 2023, 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 for accounting purposes (or, as the case may be, has been subject to a valuation adjustment) certain deferred tax assets (tax loss carryforwards, deductions and temporary differences) for which, in general, there is no legal period for offsetting, amounting to approximately €2,398 million (in terms of quota), which mainly arise from the integration of Catalunya Banc in the case of Spain, in accordance with the following breakdown by each of the jurisdictions in which the Group is located and carries on its business activities: (i) Spain: €2,352,434 thousand; (ii) United States: €27,268 thousand; (iii) Portugal: €12,179 thousand; (iv) Japan: €2,897 thousand; (v) Peru: €2,549 thousand; (vi) Netherlands: €683 thousand; and (vii) China: €96 thousand.

In connection with the above, it should be noted that within the framework of the ongoing process of rationalization of the Group's corporate structure which, among other things, may provide for the future dissolution and liquidation of companies, the materialization of the aforementioned deferred tax assets not recognized for accounting purposes may take place in the Group company that is a shareholder of the entity being dissolved and liquidated, as a result of the disclosure of tax losses pending deduction associated with the shareholding of the company which, as the case may be, is dissolved and liquidated.

19.6 Other Contributions

Temporary tax on credit institutions in Spain

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 on those credit institutions that operate in Spain whose aggregate interest income and fee and commission income in 2019 was €800 million or more.

The amount of the non-taxable equity benefit to be paid is 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 make such a payment arose. The payment obligation arises on the first day of the calendar year of fiscal years 2023 and 2024.

The impact of the payment required to be made by BBVA on account of this benefit in 2023 amounted to €215 million and was recorded under "Other operating expense" in the consolidated income statement (see Note 42). The estimated impact corresponding to the year 2024 is €285 million and will be recorded on the first quarter of 2024 in such caption 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)

	2023	2022 (1)	2021
ASSETS			
Inventories	276	325	424
Transactions in progress	41	93	131
Accruals	1,368	1,461	730
Other items	1,174	706	649
Total	**2,859**	**2,586**	**1,934**
LIABILITIES			
Transactions in progress	133	44	48
Accruals	2,878	2,595	2,137
Other items	2,466	2,269	1,436
Total	**5,477**	**4,909**	**3,621**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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)

	2023	2022	2021
ASSETS			
Foreclosures and recoveries	943	1,070	1,218
Other assets from tangible assets (1)	1,026	1,063	563
Companies held for sale	43	40	41
Accrued amortization (2)	(84)	(93)	(112)
Impairment losses (1)	(1,005)	(1,057)	(650)
Total	**923**	**1,022**	**1,061**
LIABILITIES			
Companies held for sale	—	—	—
Total	**—**	**—**	**—**

(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) Corresponds to the accumulated depreciation of assets before their classification as "Non-current assets and disposal groups classified as held for sale".

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 2023, 2022 and 2021, 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			Total		
Cost (a)		**2023**	**2022**	**2021**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Balance at the beginning		**1,070**	**1,218**	**1,398**	**970**	**452**	**391**	**39**	**41**	**84,792**	**2,078**	**1,711**	**86,581**
Additions		190	211	245	2	1	—		2	522	192	214	768
Contributions from merger transactions		—	—	—	—	592	—	—	—	—	—	592	—
Retirements (sales and other decreases)		(323)	(353)	(298)	(34)	(110)	(39)	—	(2)	(83,172)	(357)	(465)	(83,509)
Transfers, other movements and exchange differences		6	(6)	(127)	5	35	100	4	(2)	(2,100)	15	27	(2,128)
Disposals by companies held for sale		—	—	—	—	—	—	—	—	—	—	—	—
Balance at the end		**943**	**1,070**	**1,218**	**943**	**970**	**452**	**43**	**39**	**41**	**1,928**	**2,078**	**1,711**
Impairment (b)													
Balance at the beginning		**356**	**381**	**386**	**701**	**269**	**208**	**—**	**—**	**—**	**1,057**	**650**	**594**
Additions	50	16	64	36	27	158	62	—	—	—	42	221	97
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—	—	—	—	—
Contributions from merger transactions		—	—	—	—	—	—	—	—	—	—	—	—
Retirements (sales and other decreases)		(89)	(102)	(65)	(22)	(46)	(13)	—	—	—	(111)	(148)	(78)
Other movements and exchange differences		16	13	24	1	320	12	—	—	—	17	333	36
Disposals by companies held for sale		—	—	—	—	—	—	—	—	—	—	—	—
Balance at the end		**299**	**356**	**381**	**706**	**701**	**269**	**—**	**—**	**—**	**1,005**	**1,057**	**650**
Balance at the end of net carrying value (a)-(b)		**644**	**714**	**837**	**236**	**269**	**183**	**43**	**39**	**41**	**923**	**1,022**	**1,061**

(1) Net of accumulated amortization until assets were reclassified as "Non-current assets and disposal groups classified as held for sale".

As indicated in Note 2.2.6, "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, 2023, 2022 and 2021 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, 2023, 2022 and 2021, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €460 million, €478 million and €608 million in assets for residential use; €154 million, €199 million and €202 million in assets for tertiary use (industrial, commercial or office) and €26 million, €34 million and €19 million in assets for agricultural use, respectively.

As of December 31, 2023, 2022 and 2021, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2023, 2022 and 2021, 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 €22 million, €43 million and €62 million, respectively; with an average financing of 61% of the sales price during 2023.

As of December 31, 2023, 2022 and 2021, 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)

	2023	2022 (1)	2021
Deposits	473,835	459,662	416,947
Deposits from central banks	20,309	38,323	47,351
Demand deposits	*159*	*205*	*8*
Time deposits and other	*12,203*	*33,534*	*41,790*
Repurchase agreement	*7,947*	*4,584*	*5,553*
Deposits from credit institutions	40,039	26,935	19,834
Demand deposits	*6,629*	*11,434*	*7,601*
Time deposits and other	*12,871*	*11,787*	*8,599*
Repurchase agreement	*20,539*	*3,714*	*3,634*
Customer deposits	413,487	394,404	349,761
Demand deposits	*317,543*	*316,082*	*293,015*
Time deposits and other	*91,740*	*76,063*	*55,479*
Repurchase agreement	*4,204*	*2,259*	*1,267*
Debt certificates issued	68,707	55,429	55,763
Other financial liabilities	15,046	14,081	15,183
Total	**557,589**	**529,172**	**487,893**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

The amount recorded in "Deposits from central banks - Time deposits" includes the drawdowns of the TLTRO III facilities of the ECB, mainly by BBVA S.A., amounting to €3,660 million as of December 31, 2023 and €26,711 million as of December 31, 2022, having started the partial repayment of the TLTRO III program in December 2022 for an approximate amount of €35,000 million. As of December 31, 2021 it amounted to €38,692 million (see Note 7.5).

The positive income generated by the drawdowns of the TLTRO III facilities has been 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 has been recorded under "Interest expense" in the consolidated income statements.

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 2023				
Spain	1,252	2,434	899	4,585
Mexico	789	642	—	1,431
Turkey	16	535	37	587
South America	416	2,242	—	2,659
Rest of Europe	3,011	2,742	19,344	25,097
Rest of the world	1,145	4,277	259	5,681
Total	**6,629**	**12,871**	**20,539**	**40,039**
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**

(1) Subordinated deposits are included amounting to €35, €24 and €14 million as of December 31, 2023, 2022 and 2021, 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 2023				
Spain	179,825	17,952	4	197,780
Mexico	76,122	15,067	1,638	92,828
Turkey	20,423	21,485	1,331	43,239
South America	26,888	17,349	—	44,237
Rest of Europe	12,863	16,257	1,231	30,350
Rest of the world	1,422	3,630	—	5,052
Total	**317,543**	**91,740**	**4,204**	**413,487**
December 2022 (1)				
Spain	188,803	13,937	2	202,742
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**	**76,063**	**2,259**	**394,404**
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**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

22.4 Debt certificates

The breakdown of the balance under this heading, by type of financial instrument and by currency, is as follows:

Debt certificates issued (Millions of Euros)	2023	2022	2021
In Euros	**44,622**	**35,611**	**36,289**
Promissory bills and notes	5,416	1,079	319
Non-convertible bonds and debentures	16,256	16,979	15,712
Covered bonds	6,734	7,665	9,930
Hybrid financial instruments (1)	800	959	366
Securitization bonds	2,168	2,501	2,302
Wholesale funding	6,182	139	438
Subordinated liabilities	7,066	6,289	7,221
Convertible perpetual certificates	3,000	3,000	3,500
Other non-convertible subordinated liabilities	4,066	3,289	3,721
In foreign currencies	**24,086**	**19,819**	**19,475**
Promissory bills and notes	336	351	579
Non-convertible bonds and debentures	8,684	9,323	7,885
Covered bonds	99	114	178
Hybrid financial instruments (1)	4,722	3,724	2,843
Securitization bonds	—	—	4
Wholesale funding	1,479	111	412
Subordinated liabilities	8,766	6,196	7,574
Convertible perpetual certificates	2,715	1,876	1,771
Other non-convertible subordinated liabilities	6,051	4,320	5,803
Total	**68,707**	**55,429**	**55,763**

(1) 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)	2023	2022	2021
Subordinated deposits	35	24	14
Subordinated certificates	15,832	12,485	14,794
Compound convertible financial instruments	*5,715*	*4,876*	*5,271*
Other non-convertible subordinated liabilities	*10,117*	*7,609*	*9,523*
Total	**15,867**	**12,509**	**14,808**

The balance variances are mainly due to the following transactions:

Perpetual Contingent Convertible Securities

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.

Under that delegation, BBVA has made the following contingently convertible issuances that qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013:

- On June 21, 2023, BBVA carried out an issuance of perpetual contingent convertible securities with exclusion of shareholders' pre-emptive subscription rights, for a total nominal amount of €1 billion. This issuance is listed in the Global Exchange Market of Euronext Dublin and was targeted only at qualified investors, not being offered or sold to any retail clients.

- On September 19, 2023, BBVA carried out an issuance of perpetual contingent convertible securities with exclusion of shareholders' pre-emptive subscription rights, for a total nominal amount of USD 1 billion. This issuance is listed on the New York Stock Exchange and was targeted only at qualified investors, not being offered or sold to any retail clients.

These perpetual securities issued, where appropriate, must be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These type of issuances made by the Bank may be fully redeemed at BBVA's option only in the cases contemplated in their respective terms and conditions and, in any case, in accordance with the provisions of the applicable legislation. In particular, throughout the financial years 2021, 2022 and 2023:

- On April 14, 2021, the Bank early redeemed the issuance of contingently convertible preferred securities (which qualified as 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 contingently convertible preferred securities (which qualified as additional tier 1 instruments) issued 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.

- On September 24, 2023, the Bank early redeemed the issuance of contingently convertible preferred securities (which qualified as additional tier 1 instruments) carried out by the Bank on September 24, 2018, for an amount of €1 billion on the First Reset Date and once the prior consent from the Regulator was obtained.

Convertible Securities

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, limiting this power to the extent that the nominal amount of the capital increases agreed or executed in order to satisfy conversion of the issues carried out excluing the pre-emptive subscription right by virtue of this power (without prejudice to anti-dilution adjustments) and any agreed or executed in use of the power under the item 4 of the Agenda of the same General Meeting, described in Note 26, excluding the pre-emptive subscription right, do not exceed a maximum aggregated nominal amount of 10% of BBVA's share capital at the time the resolution was adopted.

As of the date hereof the Bank has not made use of the authority granted by the BBVA Annual 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)	2023	2022 (1)	2021
Lease liabilities (2)	1,507	1,398	2,560
Creditors for other financial liabilities	3,439	3,584	2,657
Collection accounts	3,642	3,426	3,839
Creditors for other payment obligations	6,458	5,673	6,127
Total	**15,046**	**14,081**	**15,183**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 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).

A breakdown of the maturity of the lease liabilities, due after December 31, 2023 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	236	264	182	824	1,507

23. Assets and liabilities under insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain, Latin America (mostly in Mexico) and Turkey. Specifically, the insurance entities located in Spain and Mexico together accounted for approximately 95% in terms of total liabilities under insurance and reinsurance contracts as of December 31, 2023.

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 management), 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.
- Longevity risk: is the risk of incurring higher benefit payments than expected due to an increase in the life expectancy of the insured persons.

The insurance activity is fully integrated into the BBVA Group's risk management framework. From the definition of the risk appetite to the management limits, the governance model, the admission process, the organizational scheme and the development of computer systems/models, everything is designed with a global approach and under consistent and homogeneous criteria, aligned with other financial business of the BBVA Group. This also means that control activities and information flow are fully integrated into internal processes, from local reporting to the corporate bodies of the BBVA Group.

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 accounting and risk-based capital regulations, which have already been published in several countries.

The amounts that the consolidated insurance entities are entitled to receive from reinsurance contracts they maintain with third parties are recognized under the heading "Assets under reinsurance and insurance contracts" in the consolidated balance sheets. As of December 31, 2023 and 2022, the balance under this heading amounted to €211 million and €183 million, respectively.

The heading "Liabilities under insurance and reinsurance contracts" in the consolidated balance sheets includes the liabilities recorded under insurance contracts of the consolidated insurance entities in accordance with IFRS 17 (see Note 2.2.8). The breakdown of the balance of this heading as of December 31, 2023 and 2022 is as follows:

Liabilities under insurance and reinsurance contracts (Millions of Euros)	2023	2022 (1)
Insurances	**12,110**	**10,131**
Liabilities for remaining coverage	**10,900**	**9,157**
Estimates of the present value of cash flows	9,361	7,745
Risk adjustment	171	155
Cost service margin	1,213	1,097
Loss component	1	1
Premium reserve - Simplified Model	154	159
Liabilities for incurred claims	**1,210**	**974**
Estimates of the present value of cash flows	1,191	959
Risk adjustment	19	15
Reinsurances	—	—
Total	**12,110**	**10,131**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

In addition, the breakdown of "Liabilities under insurance and reinsurance contracts" in the consolidated balance sheets by type of product as of December 31, 2023 and 2022 is shown in the table below:

Liabilities under insurance and reinsurance contracts by type of product (Millions of Euros)	2023	2022 (1)
Liabilities for remaining coverage	**10,900**	**9,157**
Life insurance	**10,657**	**8,962**
Individuals life insurance (2)	8,900	7,592
Group insurance (3)	1,757	1,370
Non-life insurance	**243**	**195**
Liabilities for incurred claims	**1,210**	**974**
Total	**12,110**	**10,131**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Provides coverage in the event of death, disability and serious illness.
(3) The insurance policies purchased by employers (other than BBVA Group) on behalf of their employees.

The variation in liabilities under insurance and reinsurance contracts analyzed by liability for the remaining coverage and liability for incurred claims for the years 2023 and 2022 is shown below:

Variation in liabilities under insurance and reinsurance contracts analyzed by liabilities for the remaining coverage and the liabilities for incurred claims. December 2023 (Millions of Euros)

	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Initial balance	**7,871**	**1,286**	**974**	**10,131**
Result from insurance service	**(2,817)**	**(5)**	**1,532**	**(1,289)**
Insurance revenue	(2,887)	(10)	—	(2,897)
Amounts related to changes in liability for remaining coverage	(995)	(10)	—	(1,005)
Recovery of insurance acquisition cash flows	(23)	—	—	(23)
Other	(1,869)	—	—	(1,869)
Insurance expense	70	5	1,532	1,607
Incurred claims and other expenses	—	—	1,509	1,509
Amortization of insurance acquisition cash flows	70	—	—	70
Changes to liability for incurred claims	—	—	23	23
Impairment (reversal) from loss component	—	5	—	5
Financial income/ expenses from insurance contracts	**495**	**68**	**1**	**564**
Exchange differences	**795**	**212**	**59**	**1,067**
Cash flows	**2,692**	**302**	**(1,357)**	**1,637**
Final balance	**9,036**	**1,864**	**1,210**	**12,110**

Variation in liabilities under insurance and reinsurance contracts analyzed by liabilities for the remaining coverage and the liabilities for incurred claims. December 2022 (Millions of Euros)

	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Initial balance	**7,657**	**1,218**	**1,097**	**9,972**
Result from insurance service	**(2,201)**	**(244)**	**1,260**	**(1,186)**
Insurance revenue	(2,329)	(246)	—	(2,575)
Amounts related to changes in liability for remaining coverage	(828)	(246)	—	(1,074)
Recovery of insurance acquisition cash flows	(4)	—	—	(4)
Other	(1,497)	—	—	(1,497)
Insurance expense	128	2	1,260	1,390
Incurred claims and other expenses	—	—	1,112	1,112
Amortization of insurance acquisition cash flows	116	—	—	116
Changes to liability for incurred claims	—	—	148	148
Impairment (reversal) from loss component	12	2	—	13
Financial income/ expenses from insurance contracts	**(749)**	**55**	**2**	**(692)**
Exchange differences	**820**	**228**	**51**	**1,099**
Cash flows	**2,345**	**30**	**(1,437)**	**938**
Final balance	**7,871**	**1,286**	**974**	**10,131**

Likewise, the variation of liabilities under insurance and reinsurance contracts, distinguishing between their different valuation components for the years 2023 and 2022 is shown below:

Variation in liabilities under insurance and reinsurance contracts analyzed by valuation component. December 2023 (Millions of Euros)

	Estimated present value of future cash flows	Risk adjustment	Contractual service margin (1)	Total
Initial balance	**8,056**	**150**	**1,097**	**9,303**
Insurance service result	**(384)**	**—**	**(23)**	**(406)**
Changes that relate to current services	(749)	(26)	(185)	(960)
Contractual service margin release	—	—	(185)	(185)
Risk adjustment release	—	(26)	—	(26)
Experience adjustments	(749)	—	—	(749)
Changes that relate to future services	(189)	26	163	—
Changes in estimates that adjust the contractual service margin	35	(6)	(36)	(7)
Changes in estimates that result in losses (reversals) on onerous contracts	(6)	—	4	(2)
Contracts initially recognized in the year	(218)	32	194	8
Changes that relate to past services	554	—	—	554
Adjustments to liability for incurred claims	554	—	—	554
Financial income/ expenses from insurance contracts	**508**	**11**	**45**	**564**
Exchange rate differences	**935**	**6**	**94**	**1,035**
Cash flows	**623**	**—**	**—**	**623**
Contracts transferred to / from a third party	**—**	**—**	**—**	**—**
Final balance	**9,738**	**167**	**1,213**	**11,118**

(1) In general the transitional approach for calculating the contractual service margin has been the fair value approach for long-term contracts and the full retrospective approach for short-term contracts (see Note 2.3).

Variation in liabilities under insurance and reinsurance contracts analyzed by valuation component. December 2022 (Millions of Euros)

	Estimated present value of future cash flows	Risk adjustment	Contractual service margin (1)	Total
Initial balance	**7,945**	**112**	**948**	**9,006**
Insurance service result	**(606)**	**46**	**49**	**(511)**
Changes that relate to current services	(750)	(14)	(144)	(908)
Contractual service margin release	—	—	(144)	(144)
Risk adjustment release	—	(14)	—	(14)
Experience adjustments	(750)	—	—	(750)
Changes that relate to future services	(270)	60	193	(17)
Changes in estimates that adjust the contractual service margin	(50)	45	3	(3)
Changes in estimates that result in losses (reversals) on onerous contracts	(15)	—	(3)	(19)
Contracts initially recognized in the year	(204)	15	194	5
Changes that relate to past services	413	—	—	413
Adjustments to liability for incurred claims	413	—	—	413
Financial income/ expenses from insurance contracts	**(704)**	**(20)**	**29**	**(694)**
Exchange rate differences	**1,009**	**11**	**72**	**1,093**
Cash flows	**412**	**—**	**—**	**412**
Contracts transferred to / from a third party	**—**	**—**	**—**	**—**
Final balance	**8,056**	**150**	**1,097**	**9,303**

(1) In general the transitional approach for calculating the contractual service margin has been the fair value approach for long-term contracts and the full retrospective approach for short-term contracts (see Note 2.3).

The maturity of those "Liabilities under insurance and reinsurance contracts" are shown below:

Maturity of the liabilities under insurance and reinsurance contracts (Millions of Euros)

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2023	1,356	962	2,425	7,367	12,110
2022 (1)	1,754	663	1,664	6,050	10,131

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

The classification and valuation models used to calculate the liabilities under insurance and reinsurance contracts are detailed in Note 2.2.8 of these consolidated Financial Statements.

In general, in estimating compliance flows valued under the General Model, the Group has used tables based on the companies' own experience to estimate discounted future cash flows for all units of account, except for those cases in which the entity has not had sufficient historical data for the construction of the assumptions, so in such cases, regulatory tables have been used.

In relation to the assets and liabilities under insurance and reinsurance contracts falling under IFRS 4, which was applicable to 2021, the consolidated balance sheets for that year presented mathematical reserves of €9,495 million (of which €7,265 million related to individual life insurance and €2,230 million to group insurance), provisions for unpaid claims amounted to €706 million and provisions for unexpired risks and other provisions amounted to €664 million.

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	2023	2022	2021
Provisions for pensions and similar obligations	25	2,571	2,632	3,576
Other long term employee benefits (1)	25	435	466	632
Provisions for taxes and other legal contingencies	7.1	696	685	623
Provisions for contingent risks and commitments		770	770	691
Other provisions (2)		452	380	366
Total		**4,924**	**4,933**	**5,889**

(1) In 2021 it included the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A.
(2) 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, 2023, 2022 and 2021 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	2023	2022 (1)	2021
Balance at the beginning		**2,632**	**3,576**	**4,272**
Charges to income for the year		211	25	141
Interest expense and similar charges		*133*	*75*	*37*
Personnel expense	*44.1*	*49*	*42*	*49*
Provision expense		*29*	*(92)*	*56*
Charges (credits) to equity (2)	25	314	(433)	(206)
Transfers and other changes		(57)	24	(21)
Benefit payments	25	(424)	(492)	(608)
Employer contributions	25	(106)	(67)	(4)
Balance at the end		**2,571**	**2,632**	**3,576**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Correspond to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions recognized in "Equity" (see Note 2.2.13).

Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)

	2023	2022	2021
Balance at beginning	**1,065**	**990**	**1,091**
Additions [(1)]	651	417	1,175
Acquisition of subsidiaries	—	—	—
Unused amounts reversed during the year	(385)	(130)	(227)
Amount used and other variations [(1)]	(183)	(211)	(1,050)
Balance at the end	**1,148**	**1,065**	**990**

(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, 2023, 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, individually, 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 2.2.13, 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 in active service and retirement.

The breakdown of the net defined benefit liability recorded on the balance sheet as of December 31, 2023, 2022 and 2021 is provided below:

Net defined benefit liability (asset) on the consolidated balance sheet (Millions of Euros)

	Notes	2023	2022	2021
Pension commitments		3,849	3,661	4,218
Early retirement commitments		412	606	952
Medical benefits commitments		1,728	1,448	1,377
Other long term employee benefits		435	466	632
Total commitments		**6,424**	**6,181**	**7,180**
Pension plan assets		1,675	1,608	1,494
Medical benefit plan assets		1,744	1,476	1,494
Total plan assets (1)		**3,419**	**3,084**	**2,988**
Total net liability / asset		**3,006**	**3,097**	**4,193**
Of which: Net asset on the consolidated balance sheet (2)		*—*	*(1)*	*(15)*
Of which: Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (3)	*24*	*2,571*	*2,632*	*3,576*
Of which: Net liability on the consolidated balance sheet for other long term employee benefits	*24*	*435*	*466*	*632*

(1) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of €153 million as of December 31, 2023 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.

The impact relating to benefit commitments charged to consolidated income statement for the years 2023, 2022 and 2021 is as follows:

Consolidated income statement impact (Millions of Euros)

	Notes	2023	2022 (1)	2021
Interest and other expense		**133**	**75**	**37**
Interest expense		444	342	257
Interest income		(311)	(267)	(220)
Personnel expense		**188**	**130**	**120**
Defined contribution plan expense	44.1	139	87	71
Defined benefit plan expense	44.1	49	42	49
Provisions or (reversal) of provisions	**46**	**31**	**(89)**	**61**
Early retirement expense		—	—	100
Past service cost expense		36	34	(28)
Remeasurements (2)		(7)	(126)	(16)
Other provision expense		2	3	6
Total impact on consolidated income statement: expense (income)		**352**	**116**	**218**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 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, 2023, 2022 and 2021 are as follows:

Equity impact (Millions of Euros)	**2023**	**2022**	**2021**
Defined benefit plans	302	(363)	52
Post-employment medical benefits	12	(71)	(257)
Total impact on equity: debit (credit)	**314**	**(433)**	**(206)**

In 2023, the aggregate impact of this heading amounted to a debit of €314 million driven by the variation in financial assumptions, losses of €71 million from commitments in Spain, and losses of €170 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 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.

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, 2023, 2022 and 2021 is presented below:

Defined benefits (Millions of Euros)

	2023			2022			2021		
	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	**5,715**	**3,084**	**2,632**	**6,547**	**2,988**	**3,560**	**7,348**	**3,092**	**4,256**
Current service cost	52	—	52	45	—	45	53	—	53
Interest income/expense	425	311	114	333	267	65	253	220	33
Contributions by plan participants	10	10	—	10	10	—	5	5	—
Employer contributions	—	106	(106)	—	67	(67)	—	4	(4)
Past service costs (1)	36	—	36	34	—	34	75	—	75
Remeasurements:	375	68	307	(741)	(240)	(501)	(406)	(184)	(223)
Return on plan assets (2)	*—*	*68*	*(68)*	*—*	*(240)*	*240*	*—*	*(184)*	*184*
From changes in demographic assumptions	*(86)*	*—*	*(86)*	*(29)*	*—*	*(29)*	*(121)*	*—*	*(121)*
From changes in financial assumptions	*248*	*—*	*248*	*(812)*	*—*	*(812)*	*(259)*	*—*	*(259)*
Other actuarial gains and losses	*212*	*—*	*212*	*100*	*—*	*100*	*(27)*	*—*	*(27)*
Benefit payments	(655)	(232)	(424)	(676)	(184)	(492)	(765)	(158)	(608)
Settlement payments	(76)	(75)	(1)	(4)	(4)	—	(1)	(1)	—
Business combinations and disposals	(1)	—	(1)	—	—	—	(2)	1	(3)
Effect on changes in foreign exchange rates	124	153	(29)	161	180	(20)	(24)	8	(32)
Conversions to defined contributions	—	—	—	—	—	—	—	—	—
Other effects	(15)	(7)	(8)	7	—	7	13	—	13
Balance at the end	**5,989**	**3,419**	**2,571**	**5,715**	**3,084**	**2,631**	**6,547**	**2,988**	**3,560**
Of which: Spain	*2,310*	*129*	*2,181*	*2,546*	*147*	*2,399*	*3,670*	*206*	*3,464*
Of which: Mexico	*2,988*	*2,702*	*286*	*2,426*	*2,329*	*97*	*2,150*	*2,149*	*1*
Of which: The United States	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
Of which: Turkey	*435*	*363*	*72*	*418*	*315*	*103*	*272*	*209*	*63*

(1) Including gains and losses arising from settlements.
(2) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading “Provisions - Pensions and other post-employment defined benefit obligations” of the consolidated balance sheet as of December 31, 2023 includes €210 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, 2023, 2022 and 2021:

Actuarial assumptions (%)

	2023			2022			2021		
	Spain	Mexico	Turkey	Spain	Mexico	Turkey	Spain	Mexico	Turkey
Discount rate	3.43 %	10.44 %	25.60 %	3.91 %	10.68 %	17.79 %	0.74 %	9.68 %	19.10 %
Rate of salary increase	—	4.50 %	23.44 %	—	4.50 %	15.86 %	—	4.00 %	16.60 %
Rate of pension increase	—	4.14 %	21.94 %	—	4.41 %	14.36 %	—	2.95 %	15.10 %
Medical cost trend rate	—	8.04 %	26.14 %	—	8.04 %	18.56 %	—	7.00 %	19.30 %
Mortality tables	PER 2020	EMSSA09	TUIK 2019	PER 2020	EMSSA09	TUIK 2019	PER 2020	EMSSA09	CSO2001

In Spain, the discount rate shown as of December 31, 2023, corresponds to the weighted average rate, the actual discount rates used are 3.25% and 3.5% 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	2023		2022		2021	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate	50	(265)	291	(321)	350	(282)	307
Rate of salary increase	50	4	(4)	1	(1)	2	(2)
Rate of pension increase	50	34	(32)	32	(39)	28	(26)
Medical cost trend rate	50	141	(126)	119	(106)	109	(98)
Change in obligation from each additional year of longevity		134	—	113	—	170	—

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 leaves and 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, 2023, 2022 and 2021, the actuarial liabilities for the outstanding awards amounted to €435 million, €466 million and €632 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.

Additionally, there are commitments with early retired personnel from Spanish companies of the Group. 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, 2023, 2022 and 2021, the value of these commitments amounted to €412 million, €606 million and €952 million, respectively.

The change in the benefit plan obligations and plan assets during the year ended December 31, 2023 was as follows:

Post-employment commitments 2023 (Millions of Euros)	Spain	Mexico	Turkey	Rest of the world
Defined benefit obligation				
Balance at the beginning	**2,546**	**985**	**418**	**318**
Current service cost	3	9	17	3
Interest income or expense	90	108	50	11
Contributions by plan participants	—	—	9	2
Employer contributions	—	—	—	—
Past service costs (1)	—	—	33	3
Remeasurements:	67	156	161	(4)
Return on plan assets (2)	—	—	—	—
From changes in demographic assumptions	—	—	(14)	(2)
From changes in financial assumptions	78	114	10	(10)
Other actuarial gains and losses	(11)	42	165	8
Benefit payments	(402)	(102)	(68)	(14)
Settlement payments	—	(1)	—	(75)
Business combinations and disposals	—	—	—	(1)
Effect on changes in foreign exchange rates	—	114	(162)	4
Conversions to defined contributions	—	—	—	—
Other effects	6	—	(21)	—
Balance at the end	**2,310**	**1,269**	**435**	**247**
Of which: Vested benefit obligation relating to current employees	64			
Of which: Vested benefit obligation relating to retired employees	2,246			
Plan Assets				
Balance at the beginning	**147**	**853**	**315**	**293**
Current service cost	—	—	—	—
Interest income or expense	5	91	41	9
Contributions by plan participants	—	—	9	2
Employer contributions	—	37	23	29
Past service costs (1)	—	—	—	—
Remeasurements:	—	(19)	129	(25)
Return on plan assets (2)	—	(19)	129	(25)
From changes in demographic assumptions	—	—	—	—
From changes in financial assumptions	—	—	—	—
Other actuarial gains and losses	—	—	—	—
Benefit payments	(23)	(102)	(25)	(12)
Settlement payments	—	(1)	—	(74)
Business combinations and disposals	—	—	—	—
Effect on changes in foreign exchange rates	—	99	(122)	3
Conversions to defined contributions	—	—	—	—
Other effects	—	—	(7)	—
Balance at the end	**129**	**958**	**363**	**224**
Net liability (asset)				
Balance at the beginning	**2,399**	**132**	**103**	**25**
Current service cost	3	9	17	3
Interest income or expense	85	17	8	2
Contributions by plan participants	—	—	—	—
Employer contributions	—	(37)	(23)	(29)
Past service costs (1)	—	—	33	3
Remeasurements:	67	175	32	21
Return on plan assets (2)	—	19	(129)	25
From changes in demographic assumptions	—	—	(14)	(2)
From changes in financial assumptions	78	114	10	(10)
Other actuarial gains and losses	(11)	42	165	8
Benefit payments	(379)	—	(43)	(1)
Settlement payments	—	—	—	(1)
Business combinations and disposals	—	—	—	(1)
Effect on changes in foreign exchange rates	—	15	(40)	1
Conversions to defined contributions	—	—	—	—
Other effects	6	—	(14)	—
Balance at the end	**2,181**	**311**	**72**	**23**

(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, 2022 and 2021 was as follows:

Post-employment commitments (Millions of Euros)

	2022: Net liability (assets)				2021: Net liability (assets)			
	Spain	Mexico	Turkey	Rest of the world	Spain	Mexico	Turkey	Rest of the world
Balance at the beginning	**3,464**	**124**	**63**	**24**	**4,039**	**28**	**85**	**27**
Current service cost	4	7	13	3	5	5	16	3
Interest income or expense	51	14	10	4	20	1	9	1
Contributions by plan participants	—	—	—	—	—	—	—	—
Employer contributions	—	(41)	(22)	(3)	11	(2)	(11)	(1)
Past service costs (1)	—	1	2	3	75	—	2	2
Remeasurements:	(643)	152	62	(1)	(98)	128	10	(5)
Return on plan assets (2)	*34*	*45*	*(104)*	*121*	*8*	*49*	*(11)*	*19*
From changes in demographic assumptions	—	—	*(37)*	*8*	—	*(4)*	—	*(2)*
From changes in financial assumptions	*(643)*	*73*	*82*	*(132)*	*(61)*	*84*	*(18)*	*(7)*
Other actuarial gains and losses	*(34)*	*34*	*122*	*2*	*(45)*	*(2)*	*39*	*(15)*
Benefit payments	(484)	—	(6)	(1)	(599)	(1)	(6)	(1)
Settlement payments	—	—	—	—	—	—	—	—
Business combinations and disposals	—	(139)	—	—	—	(40)	—	(2)
Effect on changes in foreign exchange rates	—	13	(18)	(3)	—	5	(43)	1
Conversions to defined contributions	—	—	—	—	—	—	—	—
Other effects	7	—	—	—	12	—	—	—
Balance at the end	**2,399**	**132**	**103**	**25**	**3,464**	**124**	**63**	**24**

(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, 2023 the value of these separate assets was €1,631 million, (€1,656 and €2,326 million as of December 31, 2022 and 2021, 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, 2023, 2022 and 2021, the value of the aforementioned insurance policies (€130, €147 and €206 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 €193 million as of December 31, 2023 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 2023, 2022 and 2021 was as follows:

Medical benefits commitments (Millions of Euros)

	2023			2022			2021		
	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	**1,448**	**1,476**	**(28)**	**1,377**	**1,494**	**(116)**	**1,562**	**1,484**	**77**
Current service cost	20	—	20	19	—	19	24	—	24
Interest income or expense	167	165	2	144	157	(14)	131	129	2
Contributions by plan participants	—	—	—	—	—	—	—	—	—
Employer contributions	—	17	(17)	—	—	—	—	1	(1)
Past service costs [1]	—	—	—	28	—	28	(5)	—	(5)
Remeasurements:	(5)	(17)	12	(215)	(144)	(71)	(377)	(119)	(257)
Return on plan assets [2]	*—*	*(17)*	*17*	*—*	*(144)*	*144*	*—*	*(119)*	*119*
From changes in demographic assumptions	*(70)*	*—*	*(70)*	*—*	*—*	*—*	*(115)*	*—*	*(115)*
From changes in financial assumptions	*56*	*—*	*56*	*(191)*	*—*	*(191)*	*(257)*	*—*	*(257)*
Other actuarial gain and losses	*8*	*—*	*8*	*(23)*	*—*	*(23)*	*(4)*	*—*	*(4)*
Benefit payments	(70)	(70)	—	(60)	(60)	—	(49)	(48)	—
Settlement payments	—	—	—	—	—	—	—	—	—
Business combinations and disposals	—	—	—	—	(139)	139	—	(39)	39
Effect on changes in foreign exchange rates	168	173	(5)	155	167	(11)	90	86	4
Other effects	—	—	—	—	—	—	—	—	—
Balance at the end	**1,728**	**1,744**	**(16)**	**1,448**	**1,476**	**(28)**	**1,377**	**1,494**	**(116)**

(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, 2023, 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)

	2024	2025	2026	2027	2028	2029 - 2033
Commitments in Spain	477	325	279	242	210	697
Commitments in Mexico	206	216	226	236	246	1,409
Commitments in Turkey	17	16	19	22	27	272
Total	**699**	**557**	**524**	**500**	**484**	**2,378**

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, 2023, 2022 and 2021:

Plan assets breakdown (Millions of Euros)

	2023	2022	2021
Cash and cash equivalents	86	169	24
Debt securities (government bonds)	2,818	2,270	2,394
Mutual funds	—	—	1
Asset-backed securities	—	—	—
Structured debt	—	—	—
Insurance contracts	21	183	148
Total	**2,924**	**2,622**	**2,566**
Of which: Bank account in BBVA	*23*	*7*	*3*
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, 2023, 2022 and 2021:

Investments in listed markets (Millions of Euros)

	2023	2022	2021
Cash and cash equivalents	86	169	24
Debt securities (Government bonds)	2,818	2,270	2,394
Mutual funds	—	—	1
Total	**2,904**	**2,439**	**2,418**
Of which: Bank account in BBVA	*23*	*7*	*3*
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, 2023, 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. Capital

As of December 31, 2023 and 2022 BBVA's share capital amounted to €2,860,590,786.20 and €2,954,757,116.36 divided into 5,837,940,380 and 6,030,116,564 shares, respectively; while as of December 31, 2021 BBVA's share capital amounted to €3,267,264,424.20 divided into 6,667,886,580 shares. These decreases have been the result of the partial executions of the share capital reduction resolution adopted by the Ordinary Annual General Shareholders' Meeting of BBVA held on March 17, 2023, under item 3 of the agenda notified on June 2, 2023 and on December 19, 2023; and by the Annual 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, 2023, 2022 and 2021, the shares were fully subscribed and paid-up, of the same class and series, of €0.49 par value each, and represented through book-entry accounts. All of the Bank´s shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's capital.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the *Sistema de Interconexión Bursátil Español* (*Mercado Continuo*), as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange under the ticker "BBVA".

Additionally, as of December 31, 2023, 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, 2023, 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 15.73%, 1.81%, and 9.20% 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.

On November 8, 2023, Capital Research and Management Company reported to the Spanish Securities and Exchange Commission (CNMV) that, it had an indirect holding of BBVA common stock totaling 3.010 %, of which 3.07% correspond to voting rights attributed to shares and 0.003% correspond to voting rights held 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 Shareholders' 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 Shareholders' 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 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 (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 and which is described in Note 22.4.1 (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 Shareholders' Meeting 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 Annual General Shareholders' Meeting held on March 16, 2018 under item three of the agenda, and those that were acquired by virtue of the authorization granted by the General Shareholders' Meeting held on March 18, 2022 under item six of the agenda, from that date, through any mechanism whose objective or purpose is redemption. The implementation period of this resolution was determined until the date of the following 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.

In the execution of said resolution, (see Note 4), BBVA has executed the following share capital reductions:

- On June 15, 2022, BBVA notified the partial execution of the resolution 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 Program Scheme and which were held as treasury shares.

- On September 30, 2022, BBVA notified the second partial execution of the resolution 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 Second Tranche of the Program Scheme and which were held as treasury shares.

BBVA's Annual General Shareholders' Meeting held on March 17, 2023 resolved, under agenda item three, 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 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 was determined until the date of the following 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 March 18, 2022, under agenda item seven, whose executions are described above.

In the execution of said resolution, (see Note 4), BBVA has executed the following share capital reductions:

- On June 2, 2023, BBVA notified the partial execution of the resolution through the reduction of BBVA’s share capital in a nominal amount of €31,675,343.91 and the consequent redemption, charged to unrestricted reserves, of 64,643,559 own shares of €0.49 par value each acquired derivatively by the Bank in execution of a the share buyback program and which were held as treasury shares.

- On December 19, 2023, BBVA notified the second partial execution of the resolution through the reduction of BBVA’s share capital in a nominal amount of €62,490,986.25 and the consequent redemption, charged to unrestricted reserves, of 127,532,625 own shares of €0.49 par value each acquired derivatively by the Bank in execution of a share buyback program and which were held as treasury share.

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, 2023, the balance under this heading in the consolidated balance sheets was €19,769 million. As of December 31, 2022 and 2021, the balance under this heading was €20,856 and €23,599 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 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 and other reserves. Breakdown by concepts (Millions of Euros)

	2023	2022 (1)	2021
Legal reserve	572	591	653
Restricted reserve	561	482	761
Voluntary reserves	5,478	3,906	3,994
Total reserves holding company (2)	**6,612**	**4,979**	**5,409**
Consolidation reserves attributed to the Bank and subsidiary consolidated companies	31,639	30,077	24,575
Total	**38,251**	**35,056**	**29,984**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(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, 2023, 2022 and 2021, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)

	2023	2022	2021
Restricted reserve for retired capital	495	400	88
Restricted reserve for Parent Company shares and loans for those shares (2)	65	80	672
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**561**	**482**	**761**

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 2023 and 2022 the amount includes the partial executions of the capital reduction resolution adopted by BBVA's General Shareholders' Meeting held on March 17, 2023 and March 18, 2022, respectively (see Note 26).

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. The balance of 2021 is mainly due to the share buyback program (see Note 4).

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 and other reserves by entity

The breakdown, by company or corporate group, under the headings "Retained earnings" and "other reserves" in the consolidated balance sheets is as follows:

Retained earnings and other reserves. Breakdown by company or corporate group (Millions of Euros)

	2023	2022 (1)	2021
Retained earnings (losses), revaluation reserves and other reserves			
Holding Company	15,672	14,003	12,467
BBVA Mexico Group	15,705	14,042	13,894
Garanti BBVA Group	5,857	5,703	3,043
BBVA Provincial Group	1,758	1,720	1,721
BBVA Argentine Group	1,474	1,456	1,423
BBVA Colombia Group	1,573	1,489	1,393
BBVA Perú Group	1,158	1,065	1,031
Forum Chile Group	652	632	604
BBVA Uruguay Group	139	118	106
BV America, S.L.	374	299	270
Corporación General Financiera, S.A.	368	338	322
BBVA Seguros, S.A.	306	284	239
Bilbao Vizcaya Holding, S.A.	198	144	68
BBVA Axial Tech S.A. de C.V.	87	85	78
Pecri Inversión, S.L.	(17)	119	118
Anida Operaciones Singulares, S.A.	(5,497)	(5,529)	(5,512)
Other Real State Spanish Companies (2)	(1,164)	(909)	(934)
Other	(155)	217	(101)
Subtotal (3)	**38,488**	**35,277**	**30,231**
Other reserves or accumulated losses of investments in joint ventures and associates			
ATOM Bank PLC	(181)	(169)	(158)
Metrovacesa, S.A.	(84)	(84)	(84)
Other	28	32	(5)
Subtotal	**(237)**	**(221)**	**(247)**
Total	**38,251**	**35,057**	**29,984**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Includes balances corresponding to Sociedades inmobiliarias CX, Anida Grupo Inmobiliario and Sociedades inmobiliarias Unnim.
(3) 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, 2023, 2022 and 2021 the Group entities performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of Euros)	2023		2022		2021	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**5,485,414**	**29**	**127,633,399**	**647**	**14,352,832**	**46**
+ Purchases	301,882,728	2,166	598,457,024	2,966	203,530,570	1,022
- Sales and other changes	(302,981,517)	(2,161)	(720,605,009)	(3,583)	(90,250,003)	(417)
+/- Derivatives on BBVA shares	—	—	—	—	—	(4)
+/- Other changes	—	—	—	—	—	—
Balance at the end	**4,386,625**	**34**	**5,485,414**	**29**	**127,633,399**	**647**
Of which:						
Held by BBVA, S.A.	*—*	*3*	*—*	*3*	*112,733,730*	*574*
Held by Corporación General Financiera, S.A.	*4,354,004*	*31*	*5,454,516*	*26*	*14,899,669*	*72*
Held by other subsidiaries	*32,621*	*—*	*30,898*	*—*	*—*	*—*
Average purchase price in Euros	7.18	—	4.96	—	5.02	—
Average selling price in Euros (including other changes)	7.14	—	4.99	—	4.89	—
Net gains or losses on transactions (Shareholders' funds-Reserves)		1		9		17

In 2023, 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, 2023, 2022 and 2021 are as follows:

Treasury Share	2023			2022			2021		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury share	0.038%	2.214%	0.075%	0.078 %	7.492 %	0.094 %	0.108 %	1.922 %	1.914 %

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2023, 2022 and 2021 is as follows:

Shares of BBVA accepted in pledge	2023	2022	2021
Number of shares in pledge	17,492,194	23,437,363	29,372,853
Nominal value (in Euros)	0.49	0.49	0.49
% of share capital	0.29%	0.39%	0.44%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2023, 2022 and 2021 is as follows:

Shares of BBVA owned by third parties but managed by the Group	2023	2022	2021
Number of shares owned by third parties	13,258,994	18,686,027	17,645,506
Nominal value (in Euros)	0.49	0.49	0.49
% of share capital	0.23%	0.31%	0.26%

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	2023	2022 (1)	2021
Items that will not be reclassified to profit or loss		**(2,105)**	**(1,881)**	**(2,075)**
Actuarial gains (losses) on defined benefit pension plans		(1,049)	(760)	(998)
Fair value changes of equity instruments measured at fair value through other comprehensive income	13.4	(1,112)	(1,194)	(1,079)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		55	72	2
Items that may be reclassified to profit or loss		**(14,148)**	**(15,760)**	**(14,401)**
Hedge of net investments in foreign operations (effective portion)		(2,498)	(1,408)	(146)
Mexican peso		*(3,147)*	*(1,751)*	*(681)*
Turkish lira		*670*	*358*	*555*
Other exchanges		*(21)*	*(15)*	*(19)*
Foreign currency translation		(11,419)	(13,078)	(14,988)
Mexican peso		*(640)*	*(2,791)*	*(4,503)*
Turkish lira		*(6,908)*	*(6,599)*	*(6,607)*
Argentine peso		*(1,296)*	*(868)*	*(1,024)*
Venezuela Bolívar		*(1,865)*	*(1,850)*	*(1,858)*
Other exchanges		*(711)*	*(969)*	*(995)*
Hedging derivatives. Cash flow hedges (effective portion)		133	(447)	(533)
Fair value changes of debt instruments measured at fair value through other comprehensive income	13.4	(357)	(809)	1,274
Share of other recognized income and expense of investments in joint ventures and associates		(8)	(18)	(9)
Total		**(16,254)**	**(17,642)**	**(16,476)**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

The balances recognized under these headings are presented net of tax.

The main changes in 2023 are explained by the appreciation against the euro of some of the currencies of the main geographies where the Group operates against the euro such as the Mexican peso (11.4%) and Colombian peso (21.4%), the depreciation of the Argentine peso (78.9%), the Turkish lira (38.9%) and the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in Turkey and Argentina (see Note 2.2.18).

31. Minority interests (non-controlling interests)

The breakdown by groups of consolidated entities under the heading “Minority interests (non-controlling interests)” of total equity in the consolidated balance sheets is as follows:

Minority interests (non-controlling interests). Breakdown by subgroups (Millions of Euros)

	2023	2022 (1)	2021
Garanti BBVA (2)	1,129	1,179	2,851
BBVA Peru	1,586	1,469	1,212
BBVA Argentina	544	687	557
BBVA Colombia	82	73	76
BBVA Venezuela	108	95	70
Other entities	115	119	87
Total	**3,564**	**3,623**	**4,853**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) The change corresponds mainly to the voluntary takeover bid for the entire share capital of Garanti BBVA 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 minority interests (non-controlling interests). Breakdown by subgroups (Millions of Euros)			
	2023	2022 (1)	2021
Garanti BBVA (2)	95	28	758
BBVA Peru	236	236	143
BBVA Argentina	59	83	26
BBVA Colombia	(16)	5	9
BBVA Venezuela	24	22	3
Other entities	(1)	32	25
Total	**397**	**405**	**965**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) The change corresponds mainly to the IAS 29 "Financial Reporting in Hyperinflationary Economies" implementation and the voluntary takeover bid for the entire share capital of Garanti BBVA completed on May 18, 2022 (see Notes 2.2.18 and 3).

Dividends distributed to minority interests of the Group during the year 2023 related to: BBVA Banco Continental Group €126 million, BBVA Argentina Group €67 million, BBVA Garanti Group €62 million and other Group entities €78 million.

32. Capital base and capital management

32.1 Capital base

As of December 31, 2023, 2022 and 2021, own funds is calculated in accordance to the applicable regulation of each year on minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated group– that establish how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

Regarding the minimum capital requirements, the ECB informed the Group that the Pillar 2 requirement would remain at 1.71% (of which at least 0.96% must be CET1) since January 1, 2023. Therefore, BBVA should maintain a CET1 capital ratio of 8.75% and a total capital ratio of 13.00% at a consolidated level[5], which once updated taking into account the countercyclical buffer as of September 30, 2023, are 8.78% and 13.03%, respectively.

In addition, after the latest SREP (Supervisory Review and Evaluation Process) decision, applicable as from January 1, 2024, the ECB has informed the Group that it must maintain a total capital ratio of 13.25% and a CET1 capital ratio of 9.09% at the consolidated level, which include the consolidated Pillar 2 requirement of 1.68% (at least 1.02% must be CET1), of which 0.18% is determined on the basis of the ECB's prudential provisioning expectation which, shall be satisfied with CET1.

The BBVA Group has set the objective of maintaining a fully-loaded CET1 ratio at a consolidated level between 11.5% and 12.0%. At closing of the financial year 2023, the fully-loaded CET1 ratio was above this target range.

[5] Includes the update of the countercyclical capital buffer calculated on the basis of exposure as of December 31, 2022.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2023, 2022 and 2021 is shown below:

Eligible capital resources (Millions of Euros)	Notes	2023 (1)	2022 (2)	2021
Capital	26	2,861	2,955	3,267
Share premium	27	19,769	20,856	23,599
Retained earnings, revaluation reserves and other reserves	28	38,251	35,056	29,984
Other equity instruments, net		40	63	60
Treasury shares	29	(34)	(29)	(647)
Profit (loss) attributable to the parent company	5	8,019	6,358	4,653
Interim dividend		(951)	(722)	(532)
Total equity		**67,955**	**64,535**	**60,384**
Accumulated other comprehensive income (loss)	30	(16,254)	(17,642)	(16,476)
Minority interests	31	3,564	3,623	4,853
Shareholders' equity		**55,265**	**50,517**	**48,760**
Goodwill and other intangible assets		**(1,421)**	**(1,395)**	**(1,484)**
Differences from solvency and accounting perimeter		(137)	(123)	(130)
Equity not eligible at solvency level		**(137)**	**(123)**	**(130)**
Other adjustments and deductions (3)		**(7,603)**	**(6,262)**	**(7,197)**
Common Equity Tier 1 (CET 1)		**46,104**	**42,738**	**39,949**
Additional Tier 1 before Regulatory Adjustments		**6,033**	**5,193**	**5,737**
Total Regulatory Adjustments to Additional Tier 1		**—**	**—**	**—**
Tier 1		**52,138**	**47,931**	**45,686**
Tier 2		**8,182**	**5,930**	**7,383**
Total Capital (Total Capital=Tier 1 + Tier 2)		**60,320**	**53,861**	**53,069**
Total Minimum equity required		**47,418**	**43,111**	**39,275**

(1) Provisional data.
(2) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(3) 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, 2023, 2022 and 2021 are shown below:

Amount of capital CC1 (Millions of Euros)	2023 (1)	2022 (2)	2021 (2)
Capital and share premium	22,629	23,810	26,866
Retained earnings and equity instruments	34,889	31,436	30,745
Other accumulated income and other reserves	(12,872)	(13,952)	(17,200)
Minority interests	1,864	1,853	2,800
Net interim attributable profit (3)	4,759	3,814	2,573
Common Equity Tier I (CET1) before other regulatory adjustments	**51,269**	**46,962**	**45,784**
Goodwill and intangible assets	(1,421)	(1,395)	(1,484)
Direct, indirect and synthetic holdings in own Common Equity Tier I instruments (4)	(331)	(356)	(2,800)
Deferred tax assets	(988)	(1,057)	(1,009)
Other deductions and filters (5)	(2,425)	(1,416)	(542)
Total common equity Tier 1 regulatory adjustments	**(5,165)**	**(4,223)**	**(5,835)**
Common equity TIER 1 (CET1)	**46,104**	**42,738**	**39,949**
Capital instruments and share premium accounts classified as liabilities and qualifying as Additional Tier I	5,715	4,875	5,265
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	319	318	472
Additional Tier 1 (CET 1) before regulatory adjustments	**6,033**	**5,193**	**5,737**
Transitional CET 1 adjustments	—	—	—
Total regulatory adjustments to additional Tier 1	**—**	**—**	**—**
Additional Tier 1 (AT1)	**6,034**	**5,193**	**5,737**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**52,138**	**47,931**	**45,686**
Capital instruments and share premium accounted as Tier 2	5,214	3,510	4,324
Qualifying Tier 2 capital included in consolidated T2 capital issued by subsidiaries and held by third parties	2,890	2,310	2,516
Credit risk adjustments	88	213	722
Tier 2 before regulatory adjustments	**8,192**	**6,033**	**7,562**
Tier 2 regulatory adjustments	**(10)**	**(103)**	**(179)**
Tier 2	**8,182**	**5,930**	**7,383**
Total capital (Total capital=Tier 1 + Tier 2)	**60,320**	**53,861**	**53,069**
Total RWA	**363,916**	**337,066**	**307,795**
CET 1 (phased-in)	12.67 %	12.68 %	12.98 %
Tier 1 (phased-in)	14.33 %	14.22 %	14.84 %
Total capital (phased-in)	16.58 %	15.98 %	17.24 %

(1) Provisional data.
(2) In 2022 and 2021, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly as a result of the impact of IFRS 9, to which the BBVA Group adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873). In 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.
(3) The shareholder remuneration for each year corresponding to the cash dividend already paid is deducted. Likewise, for fiscal year 2023, the cash dividend provided for in accordance with the entity's dividend policy is deducted and subject to its approval at the General Shareholders' Meeting.
(4) 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).
(5) Includes the amounts of the share repurchase programs carried out. Likewise, for the 2023 financial year, the maximum amount foreseen is included subject to its approval at the General Shareholders' Meeting.

BBVA Group's earnings have contributed to achieving a consolidated fully-loaded CET1 ratio of 12.67% as of December 31, 2023, which allows it to maintain a large management buffer over the Group's CET1 requirement as of that date (8.78%), which is also above the Group's target management range of 11.5-12.0% CET1.

The fully-loaded CET1 ratio increased by 6 basis points, mainly explained by the generation of earnings in the year (+233 basis points) which, net of shareholder remuneration and payment of convertible contingent instrument coupons (CoCos), generated a positive contribution of +106 basis points.

The growth of risk-weighted assets (RWAs) derived from the organic growth of activity, in constant terms has drained -132 basis points.

Finally, the other elements that make up CET 1, apart from the extraordinary Share BuyBack (SBB), had a positive contribution of +64 basis points; these include the positive reversal of the NPL backstop, the effects of market evolution, the calculation of minority interests, regulatory impacts as well as the positive impact in "Other Comprehensive Income" equivalent to the net monetary position value loss in hyperinflationary economies registered in results. The aforementioned Buyback has had an effect of -32 basis points.

Consolidated fully-loaded Additional Tier 1 (AT1) capital fully loaded stood at 1.66% at December 31, 2023, 12 basis points lower than in 2022, mainly due to the issuance in June of €1.0 billion Contingent Convertible instruments by BBVA S.A. In addition, BBVA S.A. issued in September another AT1 instrument of $1.0 billion. Also in September, another contingent convertible issuance of €1.0 billion nominal value, was excluded after its redemption.

The Tier 2 fully-loaded ratio stood at 2.25% which represents an increase of 46 basis points compared to 2022, mainly explained by the issuances by BBVA S.A, in June €750 million, one subordinated issuance of GBP 300 million in August and another of $750 million in November. In addition, BBVA Mexico issued $ 1.0 billion in June.

As a result of the above, the total fully-loaded capital ratio stood at 16.58% as of December 31, 2023, and total phased-in ratio stood at 16.58%.

With regard to MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, on March, 8, 2022 BBVA disclosed the reception of a communication from the Bank of Spain regarding its minimum requirement for own funds and eligible liabilities, established by the Single Resolution Board (hereinafter "SRB"), which was calculated taking into account the financial and supervisory information as of June 30, 2021.

In accordance with this communication, BBVA must maintain, as from January 1, 2022, an amount of own funds and eligible liabilities equal to 21.46% of the total RWA of its resolution group, on a sub-consolidated level (hereinafter, the "MREL in RWA"), within this MREL in RWA, an amount equal to 13.50% of the RWA must be met with subordinated instruments (the "subordination requirement in RWA").The MREL in RWA and the subordination requirement in RWA do not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, is 3.35%, considering the exposures subject to the calculation of the countercyclical buffer as of September 31, 2023.

In addition, BBVA has to reach, since January 1, 2022, an amount of own funds and eligible liabilities in terms of the total exposure considered for calculating the leverage ratio equal to 7.27% (the “MREL in LR”) of which 5.61% in terms of the total exposure considered for calculating the leverage ratio shall be satisfied with subordinated instruments (the "subordination requirement in LR").

Given the own funds and eligible liabilities structure of the resolution group, as of December 31, 2023, the MREL in RWA provisional ratio stood at 26.36%, complying with the aforementioned requirement. Finally, the provisional MREL in LR was 10.94% and the provisional subordination ratios in terms of RWA and in terms of LR were 21.84% and 9.06%, respectively.

On June 14, 2023 the Group disclosed the reception of a new communication from the Bank of Spain regarding its MREL requirement, established by the SRB, calculated taking into account the financial and supervisory information as of December 31, 2021. In accordance with this new communication, BBVA has to reach, starting January 1, 2024 a MREL in RWA equal to 22.11% and a subordination requirement in RWA equal to 13.50%. The MREL in RWA and the subordination requirement in RWA do not include the applicable combined capital buffer requirement which, according to applicable regulations and supervisory criteria, is at 3.35%, considering the exposures subject to the calculation of the countercyclical buffer as of September 31, 2023. Given the own funds and eligible liabilities structure of the resolution group, as of December 31, 2023 the MREL in RWA met the requirement.

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, 2023, 2022 and 2021, calculated according to CCR, is as follows:

Leverage ratio

	2023 (1)	2022	2021
Tier 1 (millions of Euros) (a)	52,138	47,931	45,686
Exposure to leverage ratio (millions of Euros) (b)	797,881	737,990	671,789
Leverage ratio (a)/(b) (percentage)	6.53 %	6.49 %	6.80 %

(1) Provisional data.

Finally, as of December 31, 2023, the leverage ratio stood at 6,53%. 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	2023	2022	2021
Loan commitments given	**7.2.2**	**152,868**	**136,920**	**119,618**
Of which: impaired		*165*	*177*	*171*
Central banks		—	—	—
General governments		3,115	3,031	3,483
Credit institutions		15,595	15,407	16,085
Other financial corporations		7,063	5,895	4,583
Non-financial corporations		71,303	68,120	59,475
Households		55,791	44,467	35,991
Financial guarantees given	**7.2.2**	**18,839**	**16,511**	**11,720**
Of which: impaired (1)		*229*	*281*	*245*
Central banks		—	—	—
General governments		74	96	162
Credit institutions		978	475	312
Other financial corporations		2,177	1,263	1,026
Non-financial corporations		15,460	14,541	10,039
Households		150	135	181
Other commitments given	**7.2.2**	**42,577**	**39,137**	**34,604**
Of which: impaired (1)		*636*	*689*	*541*
Central banks		—	—	2
General governments		327	215	212
Credit institutions		3,607	4,134	4,266
Other financial corporations		1,837	1,758	1,753
Non-financial corporations		36,681	32,858	28,224
Households		125	171	147
Total	**7.2.2**	**214,283**	**192,568**	**165,941**

(1) Non-performing financial guarantees given amounted to €865, €970, and €786 million, respectively, as of December 31, 2023, 2022 and 2021.

As of December 31, 2023 and 2022, the provisions for loan commitments, financial guarantees and other commitments given, recorded in the consolidated balance sheet amounted to €277, €190 and €303; and €243 million, €175 million and €353 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 2023, 2022 and 2021, 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, 2023, 2022 and 2021 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)	2023	2022	2021
Financial instruments entrusted to BBVA by third parties	430,377	352,139	356,985
Conditional bills and other securities received for collection	12,125	11,738	10,795
Securities lending	6,397	3,223	2,605
Total	**448,899**	**367,100**	**370,385**

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)	2023	2022	2021
Financial assets held for trading	4,984	2,079	1,084
Financial assets at fair value through other comprehensive income	3,098	3,110	1,880
Financial assets at amortized cost	38,328	25,258	18,364
Insurance activity	1,052	1,309	1,084
Adjustments of income as a result of hedging transactions	91	(825)	(84)
Other income (1)	297	501	686
Total	**47,850**	**31,432**	**23,015**

(1) Includes, among others, the net interest income accrued from funds obtained through TLTRO III operations, which amounted to €177 million and €384 million for the years ended December 31, 2022 and 2021, respectively (see Note 22.1).

The amounts recognized in consolidated equity in connection with hedging derivatives for the years ended December 31, 2023, 2022 and 2021 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)	2023	2022 (1)	2021
Financial liabilities held for trading	3,834	1,140	1,339
Financial liabilities designated at fair value through profit or loss	130	58	52
Financial liabilities at amortized cost	19,164	9,985	6,130
Adjustments of expense as a result of hedging transactions	809	(232)	(360)
Insurance activity (2)	633	948	773
Cost attributable to pension funds	110	76	52
Other expense	80	333	342
Total	**24,761**	**12,309**	**8,329**

(1) Amounts corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 2021 presented in accordance with IFRS 4.

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)	2023	2022	2021
Non-trading financial assets mandatorily at fair value through profit or loss	11	15	64
Financial assets at fair value through other comprehensive income (1)	107	108	112
Total	**118**	**123**	**176**

(1) This dividend income corresponds mainly to investments held at the end of the year.

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 €26 million for the year ended December 31, 2023, compared with the positive impact of €21 million and the positive impact of €1 million recorded for the years ended December 31, 2022 and 2021, 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)	2023	2022 (1)	2021
Bills receivables	24	26	23
Demand accounts	300	424	425
Credit and debit cards and POS	4,665	3,499	2,628
Checks	175	162	136
Transfers and other payment orders	862	812	664
Insurance product commissions	384	261	215
Loan commitments given	307	259	234
Other commitments and financial guarantees given	471	420	364
Asset management	1,407	1,228	1,250
Securities fees	345	266	267
Custody securities	207	193	169
Other fees and commissions	751	711	622
Total	**9,899**	**8,260**	**6,997**

(1) Amounts corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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)	2023	2022 (1)	2021
Demand accounts	6	5	5
Credit and debit cards	2,337	1,884	1,427
Transfers and other payment orders	156	132	120
Commissions for selling insurance	40	54	51
Custody securities	111	92	55
Other fees and commissions	961	721	574
Total	**3,611**	**2,888**	**2,232**

(1) Amounts corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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)

	2023	2022	2021
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	76	64	134
Financial assets at amortized cost	*41*	*8*	*27*
Other financial assets and liabilities	*35*	*56*	*106*
Gains (losses) on financial assets and liabilities held for trading, net	1,352	562	341
Reclassification of financial assets from fair value through other comprehensive income	—	—	—
Reclassification of financial assets from amortized cost	—	—	—
Other gains (losses)	1,352	562	341
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	337	(67)	432
Reclassification of financial assets from fair value through other comprehensive income	—	—	—
Reclassification of financial assets from amortized cost	—	—	—
Other gains (losses)	337	(67)	432
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	96	150	335
Gains (losses) from hedge accounting, net	(17)	(45)	(214)
Subtotal gains (losses) on financial assets and liabilities and hedge accounting	**1,844**	**663**	**1,027**
Exchange differences, net	339	1,275	883
Total	**2,183**	**1,938**	**1,910**

The breakdown of the balance (excluding exchange rate differences) under this heading in the income statements by the nature of the financial instrument is as follows:

Gains (losses) on financial assets and liabilities and hedge accounting. Breakdown by nature of the financial instrument (Millions of Euros)

	2023	2022	2021
Debt instruments	799	(2,266)	158
Equity instruments	669	(1,099)	2,059
Trading derivatives and hedge accounting	(812)	1,361	(1,866)
Loans and advances to customers	165	(241)	100
Customer deposits	(95)	274	55
Other	1,118	2,635	522
Total	**1,844**	**663**	**1,027**

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)	2023	2022	2021
Derivatives			
Interest rate agreements	427	522	73
Securities agreements	(402)	1,653	(1,500)
Credit derivative agreements	(56)	16	(255)
Foreign-exchange agreements	(431)	(658)	40
Commodity and other agreements	(332)	(127)	(9)
Subtotal	**(795)**	**1,406**	**(1,651)**
Hedging derivatives ineffectiveness			
Fair value hedges	(10)	(51)	(235)
Hedging derivative	*(114)*	*(229)*	*90*
Hedged item	*103*	*178*	*(325)*
Cash flow hedges	(7)	6	21
Subtotal	**(17)**	**(45)**	**(214)**
Total	**(812)**	**1,361**	**(1,866)**

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)	2023	2022	2021
Gains from sales of non-financial services	347	284	301
Other operating income	272	244	360
Total	**619**	**528**	**661**

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)	2023	2022	2021
Change in inventories	151	134	151
Contributions to guaranteed banks deposits funds	1,017	997	829
Hyperinflation adjustment (1)	2,007	1,687	585
Other operating expense (2)	867	620	475
Total	**4,042**	**3,438**	**2,041**

(1) For the year ended December 31, 2023 it includes €916 million related to Turkey and €1,062 million related to Argentina. For the year ended December 31, 2022, it includes €832 million related to Turkey and €822 million related to Argentina (see Note 2.2.18).
(2) For the year ended December 2023, it includes €215 million corresponding to the total annual amount disbursed under the temporary tax on credit institutions and financial credit establishments, according to Law 38/2022 of December 27, 2022 (see Note 19.6).

43. Income and expense from insurance and reinsurance contracts

The balances of the headings "Income and expense from insurance and reinsurance contracts" in the consolidated income statements stem from the insurance activity and includes the following:

Income and expense from insurance and reinsurance contracts (Millions of Euros)	2023	2022 (1)	2021 (2)
Income from insurance and reinsurance contracts (3)	3,081	2,622	2,593
Expense from insurance and reinsurance contracts	(1,821)	(1,547)	(1,685)
Total	**1,261**	**1,075**	**908**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 2021 presented in accordance with IFRS 4.
(3) In general the transitional approach for calculating the contractual service margin has been the fair value approach for long-term contracts and the full retrospective approach for short-term contracts (see Note 2.3).

The table below shows the contribution of each insurance product to the Group´s income for the years ended December 31, 2023, 2022 and 2021:

Net income by type of product (Millions of Euros)	2023	2022 (1)	2021 (2)
Life insurance	**617**	**649**	**622**
Individual	590	573	583
Group insurance	27	76	39
Non-Life insurance	**643**	**426**	**286**
Home insurance	—	—	—
Other non-life insurance products	643	426	286
Total	**1,261**	**1,075**	**908**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 2021 presented in accordance with IFRS 4.

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	2023	2022 (1)	2021
Wages and salaries		5,068	4,310	3,933
Social security costs		834	708	668
Defined contribution plan expense	25	139	87	71
Defined benefit plan expense	25	49	42	49
Other personnel expense		440	454	325
Total		**6,530**	**5,601**	**5,046**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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, 2023, 2022 and 2021, corresponding to the remuneration plans based on equity instruments in each year, amounted to €24 million, €32 million and €33 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.

Thus, according to the applicable remuneration policies, the variable remuneration for the Identified Staff members is subject, principally, to the following rules:

- The Annual Variable Remuneration for Identified Staff members for each financial year will not accrue or will be reduced upon accrual, if certain profit and capital ratio levels are not achieved.

- A maximum of 40% of the Annual Variable Remuneration for those members of the Identified Staff who receive particularly high amounts of variable remuneration and members of BBVA's Senior Management and 60% for the rest of the Identified Staff (the "Upfront Portion" of the Annual Variable Remuneration) shall vest and be paid, provided the relevant conditions for payment are met, as a general rule, in the first quarter of the following financial year to which the Annual Variable Remuneration corresponds.

- The remaining amount, and at least 60% of the Annual Variable Remuneration for those members of the Identified Staff who receive particularly high amounts of variable remuneration and members of BBVA's Senior Management, and 40% for the rest of the Identified Staff, will be deferred over a period of 4 years (the "Deferred Portion" of the Annual Variable Remuneration). However, for members of BBVA's Senior Management the deferral period shall be 5 years. In both cases, the Deferred Portion will be paid, provided the relevant conditions are met, once each of the years of deferral has elapsed. In no event will this Deferred Portion be paid faster than in a proportionate way.

- Both the Upfront Portion and the Deferred Portion of the Annual Variable Remuneration of each member of the Identified Staff will be paid 50% in cash and 50% in BBVA shares or in instruments linked to BBVA shares. For members of BBVA's Senior Management, the Deferred Portion will be paid 40% in cash and 60% in BBVA shares and/or in instruments linked to BBVA shares.

- Shares or instruments received as Annual Variable Remuneration shall be withheld for one year running from the date of delivery. The foregoing shall not apply to those shares that are sold, where appropriate, in order to meet the payment of tax obligations accruing on the delivery of the shares and/or instruments.

- The Deferred Portion of the Annual Variable Remuneration may undergo certain ex post risk adjustments, meaning that it will not vest, or may be reduced, if certain capital and liquidity thresholds are not met.

- Up to 100% of the Annual Variable Remuneration of each member of the Identified Staff corresponding to each financial year, both in cash and in shares or instruments, will be subject to arrangements for the reduction of variable remuneration (malus) and arrangements for the recovery of variable remuneration already paid (clawback), which will remain in effect during the applicable deferral and retention period, and will be applicable in the event of the occurrence of any of the circumstances expressly named in the remuneration policies.

- The cash amounts of the Deferred Portion of the Annual Variable Remuneration that ultimately vest will be updated by applying the consumer price index (CPI) measured as the year-on-year change in prices, or any other criteria established for that purpose by the Board of Directors.

- Identified Staff members may not use personal hedging strategies or insurance in connection with the Annual Variable Remuneration and the responsibility that may undermine the effects of alignment with prudent risk management.

- If the members of the Identified Staff are entitled to receive any variable remuneration other than the Annual Variable Remuneration but which qualifies as variable remuneration, such variable remuneration shall be subject to the rules regarding accrual, award, vesting and payment in accordance with the type and nature of the remuneration component itself

- The variable remuneration of the Identified Staff for a financial year (understood as the sum of all variable remuneration) shall be limited to a maximum amount of 100% of the fixed component (understood as the sum of all fixed remuneration) of the total remuneration, unless the BBVA General Shareholders' Meeting resolves to increase this percentage up to a maximum of 200%,

  In this regard, the General Shareholders' Meeting of BBVA held on March 17, 2023 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, 2023.

In 2023, this remuneration scheme is reflected in the following remuneration policies:

- BBVA Group General Remuneration Policy, approved by the Board of Directors on March 29, 2023, 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 March 17, 2023, that is 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 delivery of shares in 2023 to the members of the Identified Staff is derived from the settlement of the Annual Variable Remuneration for 2022 and deferred variable remuneration from previous years, which are subject to the vesting and payment rules established in the remuneration policies applicable in the year to which they correspond.

According to the remuneration policy applicable in 2022, during 2023 a total amount of 3,305,980 BBVA shares or instruments linked to BBVA shares, corresponding, mostly, to the Upfront Portion of 2022 Annual Variable Remuneration and other variable components of remuneration, were delivered.

In addition, according to the remuneration policy applicable in 2017, during 2023 a total amount of 106,072 BBVA shares, corresponding to the third and last payment of the Deferred Portion of 2017 Annual Variable Remuneration of the Chair and other members of BBVA's Senior Management, were delivered.

Additionally, according to the remuneration policy applicable in 2018, during 2023 a total amount of 147,871 BBVA shares, corresponding to the second payment of the Deferred Portion of 2018 Annual Variable Remuneration of the Chair and other members of BBVA's Senior Management, were delivered.

Likewise, according to the remuneration policy applicable in 2019, during 2023 a total amount of 4,348,742 BBVA shares were delivered, corresponding, mainly, to the first payment of the Deferred Portion of 2019 Annual Variable Remuneration of the executive directors and the rest of the members of BBVA's Senior Management and to the entire of the Deferred Portion of 2019 Annual Variable Remuneration of the rest of the Identified Staff, as well as to other variable components of remuneration.

Lastly, according to the remuneration policy applicable in 2021, during 2023 a total amount of 740,382 BBVA shares were delivered, corresponding, mainly, to the first payment of the Deferred Portion of 2021 Annual Variable Remuneration of the Identified Staff, among which executive directors and the rest of the members of BBVA's Senior Management are included, as well as to other variable components of remuneration.

Detailed information on the delivery of shares to executive directors and the rest of the members of BBVA's Senior Management who held this position as of December 31, 2023, 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-year 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 the deferred portion of the annual variable remuneration may be reduced, but never increased, depending on the result of multi-year performance indicators. The cash amounts of the deferred portion that are finally paid will be subject to updating by applying the consumer price index (CPI) measured as a year-on-year change in prices.

- In BBVA Brazil Banco de Investimento, both the cash amounts and share amounts of the deferred portion may be subject to update adjustments which are payable in cash.

According to this remuneration scheme, during financial year 2023 a total of 8,243 BBVA shares corresponding to the upfront portion of 2022 annual variable remuneration were delivered to the staff of BBVA Brasil Banco de Investimento.

With respect to the staff of BBVA IFIC, it should be noted that the exception provided for in the remuneration policy for said year corresponding to payment in shares has been applied to the annual variable remuneration for fiscal year 2022 in line with the provisions of the regulations in force. For this reason, during 2023, no BBVA shares corresponding to 2022 annual variable remuneration have been delivered to the staff of BBVA IFIC.

Additionally, during 2023 a total of 4,842 BBVA shares corresponding to the first third of the deferred portion of 2021 annual variable remuneration were delivered to the staff of BBVA IFIC and BBVA Brasil Banco de Investimento as well as a total of 795 euros as adjustments for updates (for shares delivered in Brazil), and a total of 3,517 BBVA shares corresponding to the second third of the deferred portion of 2020 annual variable remuneration and 889 euros as adjustments for updates (for shares delivered in Brazil), and a total of 4,422 BBVA shares corresponding to the last third of the deferred portion of 2019 annual variable remuneration and 1,347 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)	2023	2022 (1)	2021
Technology and systems	1,512	1,391	1,176
Communications	219	195	175
Advertising	349	266	207
Property, fixtures and materials	520	440	380
Taxes other than income tax	451	370	347
Surveillance and cash courier services	234	214	179
Other expense	1,090	897	786
Total	**4,375**	**3,773**	**3,249**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

45. Depreciation and amortization

The breakdown of the balance under this heading in the consolidated income statements for the years ended December 31, 2023, 2022 and 2021 is as follows:

Depreciation and amortization (Millions of Euros)	Notes	2023	2022	2021
Tangible assets	17	867	818	740
For own use		*547*	*501*	*437*
Right-of-use assets		*317*	*312*	*299*
Investment properties and other		*3*	*5*	*3*
Intangible assets	18.2	536	510	494
Total		**1,403**	**1,328**	**1,234**

46. Provisions or reversal of provisions

For the years ended December 31, 2023, 2022 and 2021, the net provisions recognized in this income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)	Notes	2023	2022	2021
Pensions and other post-employment defined benefit obligations	25	31	(89)	61
Commitments and guarantees given		76	87	8
Pending legal issues and tax litigation		171	210	135
Other provisions (1)		95	84	814
Total		**373**	**291**	**1,018**

(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	2023	2022	2021
Financial assets at fair value through other comprehensive income - Debt securities		42	76	17
Financial assets at amortized cost		4,386	3,303	3,017
Of which: recovery of written-off assets by cash collection	*7.2.5*	*(369)*	*(390)*	*(423)*
Total		**4,428**	**3,379**	**3,034**

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 an impairment of €9 million in the year ended 2023. This heading included a reversal of impairment of €42 million for the year ended December 31, 2022, and it did not include any impairment or reversal of impairment for the year ended December 31, 2021 (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	2023	2022	2021
Tangible assets (1)	17	16	(53)	161
Intangible assets		26	25	19
Others		12	55	41
Total		**54**	**27**	**221**

(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	2023	2022	2021
Gains on sale of real estate		64	102	39
Impairment of non-current assets held for sale (1)	21	(42)	(221)	(97)
Gains (losses) on sale of investments classified as non-current assets held for sale		—	11	10
Gains on sale of equity instruments classified as non-current assets held for sale		—	—	8
Total		**22**	**(108)**	**(40)**

(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).

51. Consolidated statements of cash flows

The variation between 2023, 2022 and 2021 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)		
	2023	2022	2021	2023	2022	2021
Balance at the beginning	**55,429**	**55,763**	**61,780**	**12,485**	**14,794**	**17,248**
Cash flows	13,283	(678)	(5,728)	3,388	(1,945)	(1,941)
Non-cash changes	(5)	344	(289)	(40)	(364)	(513)
Acquisition	—	—	—	—	—	—
Disposal	—	—	—	—	—	*(772)*
Disposals by companies held for sale	—	—	—	—	—	—
Foreign exchange movement	*(5)*	*344*	*(289)*	*(40)*	*(364)*	*259*
Fair value changes	—	—	—	—	—	—
Balance at the end	**68,707**	**55,429**	**55,763**	**15,832**	**12,485**	**14,794**

(1) There were €35, €24 and €14 million of subordinated deposits as of December 31, 2023, 2022 and 2021, respectively (see Note 22.4). In addition, there were coupon payments on subordinated liabilities for €345, €313 and €359 million in 2023, 2022 and 2021, respectively. Appendix VI details the outstanding subordinated debt issued by their nominal value.

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, 2023, with their respective auditors and other audit entities are as follows:

Fees for Audits conducted and other related services (1) (Millions of Euros)

	2023	2022
Audits of the companies audited by firms belonging to the EY worldwide organization and other reports related with the audit (2)	28.5	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	1.4	1.0
Fees for audits conducted by other firms	0.1	0.1

(1) Regardless of the billed year.
(2) Including fees pertaining to annual legal audits (€23.3 million as of December 31, 2023).

In the year ended December 31, 2023, certain entities in the BBVA Group contracted other services (other than audits) as follows:

Other Services rendered (Millions of Euros)

	2023	2022
Firms belonging to the EY worldwide organization	0.2	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)

	2023	2022
Legal audit of BBVA,S.A. or its companies under control	7.9	7.6
Other audit services of BBVA, S.A. or its companies under control	5.4	5.2
Limited Review of BBVA, S.A. or its companies under control	1.9	1.4
Reports related to issuances	1.0	0.4
Assurance services and other required by the regulator	0.8	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, 2023, 2022 and 2021, the following are the transactions with related parties:

53.1 Transactions with significant shareholders

As of December 31, 2023, 2022 and 2021, 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)

	2023	2022	2021
Assets			
Loans and advances to credit institutions	5	9	9
Loans and advances to customers	791	1,842	2,031
Debt securities	4	7	7
Liabilities			
Deposits from credit institutions	—	1	1
Customer deposits	134	204	296
Memorandum accounts			
Financial guarantees given	177	136	154
Other commitments given	595	751	1,056
Loan commitments given	119	10	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)

	2023	2022	2021
Income statement			
Interest and other income	44	20	16
Interest expense	4	2	—
Fee and commission income	4	5	8
Fee and commission expense	49	40	31

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)

	2023				2022				2021			
	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	531	243	5,553	727	668	1,880	6,321	764	765	207	5,419	573
Bank guarantees	—	—	10	—	—	—	10	—	—	—	10	—
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 of non-executive directors

The remuneration of the non-executive directors corresponding to the financial years 2023 and 2022 is as follows, individually and by remuneration item:

Remuneration of non-executive directors (thousands of Euros) (1)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions (2)	Total 2023	Total 2022
José Miguel Andrés Torrecillas	129	167	132	—	—	115	—	50	593	527
Jaime Caruana Lacorte	129	167	99	107	—	—	—	—	502	567
Sonia Dulá (3)	107	—	44	71	—	—	—	—	223	—
Raúl Galamba de Oliveira	129	—	—	178	—	31	43	80	461	332
Belén Garijo López	129	111	22	—	107	46	—	—	416	349
Connie Hedegaard Koksbang	129	—	44	—	—	—	—	—	173	107
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	—	—	143	—	46	43	—	361	458
Ana Revenga Shanklin	129	—	—	107	29	—	43	—	307	264
Susana Rodríguez Vidarte (4)	32	42	—	27	—	12	—	—	112	449
Carlos Salazar Lomelín (5)	129	—	—	—	43	—	—	—	172	172
Jan Verplancke	129	—	—	—	43	—	43	—	214	214
Total	**1,684**	**653**	**475**	**633**	**307**	**297**	**171**	**130**	**4,350**	**4,257**

(1) Includes amounts corresponding to positions on the Board and its various Committees, the composition of which was modified on April 26, 2023, with effect from May 1, 2023.
(2) Amounts corresponding to the positions of Deputy Chair of the Board of Directors and Lead Director.
(3) Director appointed by the Annual General Shareholders' Meeting held on March 17, 2023. Remuneration in 2023 corresponding to the term of office in the financial year.
(4) Director who left office on March 17, 2023. Remuneration in 2023 corresponding to the term of office in the financial year.
(5) In addition, in financial years 2023 and 2022, the director Carlos Salazar Lomelín received €67 thousand and €90 thousand, as per diems for his membership of the management body of BBVA México, S.A. de C.V. and Grupo Financiero BBVA México, S.A. de C.V. and the BBVA México, S.A. de C.V. strategy forum.

Likewise, during financial years 2023 and 2022, €123 thousand and €110 thousand were paid out, respectively, in healthcare and casualty insurance premiums for non-executive director.

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 Annual General Shareholders' Meeting held on March 18, 2006 and extended by resolutions of the Annual General Shareholders' Meetings held on March 11, 2011 and March 11, 2016 for a further five-year period in each case, by the Annual General Shareholders' Meeting held on April 20, 2021 for a further three-year period and by the Annual General Shareholders' Meeting held on March 17, 2023 for a further four-year period.

This system consists 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 Shareholders' Meetings approving the corresponding financial statements for each financial year.

The BBVA shares, in a number equivalent to the theoretical shares accumulated by each non-executive director, 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 2023 and 2022, 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 allowance in cash received by each of them in the financial years 2022 and 2021, respectively:

	2023		2022	
	Theoretical shares allocated (1)	Theoretical shares accumulated as of December 31	Theoretical shares allocated (1)	Theoretical shares accumulated as of December 31
José Miguel Andrés Torrecillas	16,023	134,048	19,253	118,025
Jaime Caruana Lacorte	17,255	94,960	20,733	77,705
Sonia Dulá (2)	0	0	0	0
Raúl Galamba de Oliveira	10,091	29,768	10,177	19,677
Belén Garijo López	10,603	101,192	12,741	90,589
Connie Hedegaard Koksbang (3)	3,263	3,263	0	0
Lourdes Máiz Carro	7,237	71,593	8,696	64,356
José Maldonado Ramos	10,397	146,874	12,493	136,477
Ana Peralta Moreno	7,237	42,329	8,696	35,092
Juan Pi Llorens	13,943	148,542	18,703	134,599
Ana Revenga Shanklin	8,035	24,214	8,611	16,179
Susana Rodríguez Vidarte (4)	13,648	0	16,400	177,775
Carlos Salazar Lomelín	5,218	17,130	6,270	11,912
Jan Verplancke	6,521	35,772	7,835	29,251
Total	**129,471**	**849,685**	**150,608**	**911,637**

(1) The number of theoretical shares was calculated according to the average closing price of the BBVA share during the 60 trading sessions prior to the dates of the Annual General Shareholders' Meetings of March 17, 2023 and March 18, 2022, which were € 6.58 and €5.47 per share, respectively.
(2) Director appointed by the Annual General Shareholders' Meeting held on March 17, 2023, therefore the allocation of theoretical shares is not due until 2024.
(3) Director appointed by the Annual General Shareholders' Meeting held on March 18, 2022, therefore the first allocation of theoretical shares was made in 2023.
(4) Director who left office on March 17, 2023. In application of the system, she received a total of 191,423 BBVA shares after leaving office, which is equivalent to the total of theoretical shares accumulated up to that date.

Remuneration of executive directors

The remuneration of the executive directors corresponding to financial years 2023 and 2022 is the result of the application of the remuneration policies approved by the Annual General Shareholders' Meeting on March 17, 2023 and April 20, 2021, respectively.

In accordance with said policies, the remuneration of executive directors corresponding to financial years 2023 and 2022 is indicated below, individually and by remuneration item.

Annual Fixed Remuneration (thousands of Euros)

	2023	2022
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 contractually and in the BBVA Directors' Remuneration Policy, during the 2023 and 2022 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)

Likewise, during the financial years 2023 and 2022, executive directors received remuneration in kind, which includes insurance premiums and others, for an amount of €213 thousand and €283 thousand in the case of the Chair and €131 thousand and €155 thousand in the case of the Chief Executive Officer, respectively.

Variable remuneration

With regard to variable remuneration, the main change introduced by the new Directors' Remuneration Policy approved by the Annual General Shareholders' Meeting in 2023 is that it establishes a new model pursuant to which the Annual Variable Remuneration ("AVR") of the executive directors for financial year 2023, now consists of two components: a Short-Term Incentive ("STI") and a Long-Term Incentive ("LTI"). The award of both incentives is contingent upon the achievement of the minimum profit and capital ratio thresholds approved by the Board of Directors for this purpose. The sum of the STI and the LTI constitutes the AVR for the year of each executive director.

The STI will be awarded once the annual indicators' measurement year is closed, and its amount will be determined based on its result, taking into account the targets, scales of achievement and weightings established for each of them, and may range between 0% and 150% of the "Target STI" (which represents the amount of the STI if 100% of the pre-established targets for these indicators are met).

For its part, once the aforementioned minimum profit and capital ratio thresholds are reached, the right to the LTI will arise, the final amount of which, ranging between 0% and 150% of the "Target LTI" (which represents the amount of the LTI if 100% of the pre-established targets for the long-term indicators approved for its calculation are met), will be determined, once the last financial year for measuring long-term indicators is closed and based on its results, taking into account the targets, scales of achievement and weightings established for each of them.

A percentage not exceeding 40% of the AVR will be vested and paid, provided that the required conditions are met, as a general rule, in the first quarter of the year following the one to which it corresponds (the "Upfront Portion"), in equal parts in cash and BBVA shares. The remaining amount, and at least 60% of the AVR, will be deferred over a period of 5 years and paid, if the required conditions are met, once each of the 5 years of deferral has elapsed, 40% in cash and 60% in BBVA shares and/or instruments linked to BBVA shares (the "Deferred Portion" or the "Deferred AVR").

Within said deferral period, the payment of the LTI payment will only begin after the expiration of the measurement period of the targets set for the long term indicators, to the result of which its final amount is subject, thus, being part of the Deferred Portion of the AVR of the executive directors.

In accordance with the above, in financial year 2023 the executive directors accrued a Short-Term Incentive in the amount of €2,871 thousand in the case of Chair and €2,147 thousand in the case of Chief Executive Officer.

Likewise, the executive directors have generated the right to a Long-Term Incentive for a maximum theoretical amount of €1,929 thousand in the case of Chair and €1,443 thousand in the case of Chief Executive Officer, which is equivalent, in both cases, to 150% of their "Target LTI". Upon expiration of the measurement period of the long-term indicators established for their calculation (once 2026 has ended), its final amount will be determined, which could range between 0% and 150% of the "Target LTI". Therefore, if 100% of the pre-established objectives are achieved, the LTI will amount to €1,286 thousand in the case of Chair and €962 thousand in the case of Chief Executive Officer.

Taking into account the above, the Upfront Portion of the AVR for the financial years 2023 and 2022 of the executive directors, due for payment, respectively, once each of said years has ended, in equal parts in cash and BBVA shares, is indicated below.

Annual Variable Remuneration (AVR)

	2023 (1)		2022 (2)	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Chair	897	107,835	926	158,169
Chief Executive Officer	671	80,650	712	121,646
Total	**1,568**	**188,485**	**1,639**	**279,815**

(1) The Initial Portion of the Annual Variable Remuneration, which represents the first payment of the Short-Term Incentive for fiscal year 2023 and will be paid during the first quarter of fiscal year 2024, in equal parts in cash and BBVA shares. The remaining amount of the Annual Variable Remuneration for fiscal year 2023 (which includes the Long-Term Incentive for fiscal year 2023) will be deferred (40% in cash and 60% in shares and/or share-linked instruments) over a five-year period.

The amount of the Deferred Portion will depend on the result of the long-term indicators that will be used to calculate the Long-Term Incentive for fiscal year 2023. Likewise, and as an ex-post risk adjustment mechanism, the Deferred Portion may be reduced if the capital and liquidity thresholds established to guarantee that payment only occurs if it is sustainable, taking into account the Bank's payment capacity, are not reached.

In addition, the remaining rules applicable to the Annual Variable Remuneration of the executive directors established in the BBVA Directors' Remuneration Policy approved by the Annual General Shareholders' Meeting on March 17, 2023 will apply to the Annual Variable Remuneration for fiscal year 2023, which include: (i) a withholding period of one year after delivery of the BBVA shares or instruments linked to 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 that finally vests in accordance with the CPI; (iv) malus and clawback arrangements during the whole periods of deferral and withholding of shares or instruments ; 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 Annual General Shareholders' Meeting held on 2023.

(2) 40% of the Annual Variable Remuneration for fiscal year 2022 that was paid in 2023. Annual Variable Remuneration for financial year 2022 is subject to the rules on deferral, vesting and payment and to the remaining conditions established in the BBVA Directors' Remuneration Policy approved by the Annual General Shareholders' Meeting of April 20, 2021.

Deferred Annual Variable Remuneration from previous financial years

		2023 (1)		2022 (2)	
	Deferred AVR	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Chair	2022	229	56,941	—	—
	2021	222	57,325	215	57,325
	2020	0	0	—	—
	2019	176	45,529	513	136,587
	2018	132	35,795	128	35,795
	2017	—	—	154	27,898
Subtotal		**760**	**195,590**	**1,011**	**257,605**
Chief Executive Officer	2022	176	43,793	—	—
	2021	169	43,552	164	43,552
	2020	0	0	—	—
	2019	158	40,858	460	122,572
	2018	—	—	—	—
	2017	—	—	—	—
Subtotal		**503**	**128,203**	**624**	**166,124**
Total		**1,263**	**323,793**	**1,635**	**423,729**

(1) Deferred remuneration to be paid after 2023 year-end. Payment thereof to the Chair and/or the Chief Executive Officer will be made in 2024 in accordance with the vesting and payment rules established in the remuneration policies applicable in each financial year:

- 2022 Deferred AVR: first payment (20% of the Deferred Portion) is due to executive directors, including the update of its cash portion. Thereafter, 80% of the 2022 Deferred AVR will be deferred for both executive directors, which, if the conditions are met, will be paid in 2025, 2026, 2027 and 2028.

- 2021 Deferred AVR: second payment (20% of the Deferred Portion) is due to executive directors, including the update of its cash portion. Thereafter, 60% of the 2021 Deferred AVR will be deferred for both executive directors, which, if the conditions are met, will be paid in 2025, 2026, and 2027.

- 2020 Deferred AVR: given the exceptional circumstances arising from the COVID-19 crisis, executive directors voluntarily waived the accrual of the whole of their AVR for 2020 financial year.

- 2019 Deferred AVR: second payment (20% of the Deferred Portion) is due to executive directors, including the update of its cash portion. Thereafter, 20% of the 2019 Deferred AVR will be deferred for both executive directors, which, if the conditions are met, will be paid in 2025.

- 2018 Deferred AVR: third and final payment (20% of the Deferred Portion) is due to the Chair, including the update of its cash portion. Thereafter, the payment to the Chair of the 2018 Deferred AVR will be completed. This remuneration is associated with his former position as Chief Executive Officer.

(2) Deferred remuneration to be paid after 2022 year-end. Payment thereof to the Chair and Chief Executive Officer was made in 2023 in accordance with the vesting and payment rules established in the remuneration policies applicable in each financial year:

- 2021 Deferred AVR: in 2023, the first payment (20% of the Deferred Portion) to the executive directors was made, including the update of its cash portion.

- 2019 Deferred AVR: in 2023, the first payment (60% of the Deferred Portion) to the executive directors was made, including the update of its cash portion.

- 2018 Deferred AVR: in 2023, the second payment (20% of the Deferred Portion) to the Chair was made, including the update of its cash portion. This remuneration is associated with his former position as Chief Executive Officer.

- 2017 Deferred AVR: in 2023, the third and final payment (20% of the Deferred Portion) to the Chair was made, including the update of its cash portion. After this, the payment to the Chair of the 2017 Deferred AVR was completed. This remuneration was associated with his former position as Chief Executive Officer.

Pension commitments with executive directors

The Bank has not assumed any pension commitments 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 entitled 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 agreed annual contribution to cover the retirement contingency under the defined contribution system established for the Chair in the BBVA Directors' Remuneration Policy is €439 thousand. The Board of Directors may update this amount during the term of the Policy, in the same manner as it may update the Annual Fixed Remuneration, pursuant to the terms established therein.

15% of this 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 contractual relationship 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 assumed with the Chair to cover the death and disability contingencies, the Bank shall pay the corresponding annual insurance premiums, in order to top up the coverages for these contingencies.

In accordance with the foregoing, in the financial year 2023, an amount of €458 thousand was registered, comprising the annual contribution to cover the retirement contingency, which is €439 thousand, and an amount of €19 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2022, which were declared once that year had ended and which had to be contributed to the accumulated fund in 2023. Likewise, an amount of €322 thousand has been paid in insurance premiums for the death and disability contingencies.

As of December 31, 2023, the total accumulated fund to meet the retirement commitments with the Chair amounted to €24,759 thousand.

15% of the annual contribution for the retirement contingency corresponding to the 2023 financial year (€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 Short-Term Incentive that is part of the Chair's Annual Variable Remuneration for the 2023 financial year and was determined to amount to €83 thousand, which represents an upward adjustment of €17 thousand. These “discretionary pension benefits” will be contributed to the accumulated fund in the 2024 financial year and will be subject to the conditions established for them in the BBVA Directors' Remuneration Policy.

Regarding 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 2023 financial year, the Bank paid the Chief Executive Officer the amount of fixed remuneration relating to "cash in lieu of pension", as described in the "Remuneration of executive directors" section of this Note.

However, the Bank has undertaken commitments to cover the death and disability contingencies with the Chief Executive Officer, for which the corresponding annual insurance premiums are paid. To this end, in 2023, €230 thousand have been recognized for this concept.

Pension systems (thousands of Euros)

	Contributions (1)				Funds accumulated	
	Retirement		Death and disability			
	2023	2022	2023	2022	2023	2022
Chair	458	451	322	473	24,759	22,771
Chief Executive Officer	—	—	230	285	—	—
Total	**458**	**451**	**552**	**758**	**24,759**	**22,771**

(1) Contributions recognized to meet pension commitments to executive directors in financial years 2023 and 2022. 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 2022 and 2021, the contribution to which was to be made in the financial years 2023 and 2022, 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 2023 and 2022 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.

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.

Remuneration of Senior Management

The remuneration of all Senior Management, excluding executive directors, for the financial years 2023 and 2022 (15 and 16 members with such status at December 31, of each financial year, respectively, excluding executive directors), are the result of the application of the remuneration policies approved by the Board of Directors (on June 30, 2021 and March 29, 2023, respectively).

In accordance with the provisions established in said policies, the remuneration of the entire Senior Management corresponding to financial years 2023 and 2022 is indicated below, by remuneration item.

Fixed remuneration (thousands of Euros)	2023	2022
Senior Management Total (1)	18,187	18,149

(1) 15 members at December 31, 2023 and 16 members at December 31, 2022, excluding executive directors in both cases.

Remuneration in kind (thousands of Euros)

During 2023 and 2022 financial years, all members of Senior Management (15 members as of December 31, 2023 and 16 members at December 31, 2022, excluding executive directors in both cases) have received remuneration in kind, which includes insurance premiums and others, for a total joint amount of €904 thousand and €1,093 thousand, respectively.

Variable remuneration

Regarding variable remuneration, the main change of the new BBVA Group General Remuneration Policy approved by the Board of Directors in 2023, in line with the changes of the Directors' Remuneration Policy approved by the Annual General Shareholders' Meeting on March 17, 2023, is that it establishes a new model pursuant to which the Annual Variable Remuneration (AVR) of Senior Management members for financial year 2023, as that of executive directors, now consists of two components: a Short-Term Incentive (STI) and a Long-Term Incentive (LTI). The award of both incentives is contingent upon the achievement of the minimum profit and capital ratio thresholds approved by the Board of Directors for this purpose. The sum of the STI and the LTI constitutes the AVR for the year of each member of the Senior Management.

Pursuant to this model, and in the same terms applicable to executive directors set out above, in financial year 2023 all members of the Senior Management, excluding executive directors, have accrued a Short-Term Incentive for a combined total of €7,122 thousand.

Likewise, members of the Senior Management, excluding the executive directors, have generated the right to a Long-Term Incentive for a joint maximum theoretical amount of €4,711 thousand, which is equivalent to the sum of 150% of each beneficiary's "Target LTI". Upon expiration of the measurement period of the long-term indicators established for their calculation (once 2026 has ended), the final amount of each beneficiary's LTI will be determined which could range between 0% and 150% of the "Target LTI". Therefore, if 100% of the pre-established targets are met, the LTI will amount to a joint total of €3,141 thousand.

Taking into account the above, the total sum of the Upfront Portion of the AVR for the financial years 2023 and 2022 of the members of the Senior Management, excluding the executive directors, due for payment, respectively, once each of said financial years has ended, in equal parts in cash and BBVA shares, is indicated below.

Annual Variable Remuneration (AVR)	2023 (1)		2022 (2)	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total (3)	2,226	267,550	2,158	365,746

(1) Initial Portion of the Annual Variable Remuneration, which represents the first payment of the Short-Term Incentive for fiscal year 2023 and will be paid during the first quarter of fiscal year 2024, in equal parts in cash and BBVA shares. The remaining amount of the Annual Variable Remuneration for fiscal year 2023 (which includes the Long-Term Incentive for fiscal year 2023) will be deferred (40% in cash and 60% in shares or share-linked instruments) over a five-year period (the Deferred Portion).

The amount of the Deferred Portion will depend on the result of the long-term indicators that will be used to calculate the Long-Term Incentive for fiscal year 2023. Likewise, and as an ex-post risk adjustment mechanism, the Deferred Portion may be reduced if the capital and liquidity thresholds established to guarantee that payment only occurs if it is sustainable, taking into account the Bank's payment capacity, are not reached.

In addition, the remaining rules applicable to the Annual Variable Remuneration of the members of the Senior Management established in the BBVA Group General Remuneration Policy approved by the Board of Directors on March 29, 2023 will apply to the Annual Variable Remuneration for fiscal year 2023, which include: (i) a withholding period of one year after delivery of the BBVA shares or instruments linked to 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 that finally vests in accordance with the CPI; (iv) malus and clawback arrangements during the whole periods of deferral and withholding of shares or instruments; 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 Annual General Shareholders' Meeting held on 2023.

(2) 40% of the Annual Variable Remuneration for fiscal year 2022 that was paid in 2023. Annual Variable Remuneration for fiscal year 2022 is subject to the rules on deferral, vesting and payment and to the remaining conditions established in the BBVA Group General Remuneration Policy approved by the Board of Directors of June 30, 2021.

(3) 15 members at December 31, 2023 and 16 members at December 31, 2022, excluding executive directors in both cases. .

Deferred Annual Variable Remuneration from previous financial years

		2023 (1)		2022 (2)	
	Deferred AVR	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total (3)	2022	493	122,566	—	—
	2021	456	116,528	477	124,602
	2020	1,484	289,020	—	—
	2019	302	77,447	1,364	320,172
	2018	138	36,454	155	41,442
	2017	—	—	171	29,267
Total		**2,873**	**642,015**	**2,167**	**515,483**

(1) Deferred remuneration to be paid after 2023 year-end. Payment thereof to the members of the Senior Management who are beneficiaries will take place in 2024 in accordance with the vesting and payment rules established in the remuneration policies applicable in each financial year:

- 2022 Deferred AVR: first payment (20% of the Deferred Portion), including the update of its cash portion. Thereafter, 80% of the 2022 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2025, 2026, 2027 and 2028.

- 2021 Deferred AVR: second payment (20% of the Deferred Portion), including the update of its cash portion. Thereafter, 60% of the 2021 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2025, 2026 and 2027.

- 2020 Deferred AVR: given the exceptional circumstances arising from the COVID-19 crisis, all members of Senior Management voluntarily waived the accrual of the whole of their AVR for 2020 financial year. Without prejudice to the above, two members of the Senior Management, executives of BBVA USA at that moment, are entitled to the payment of the Deferred Portion of a Success Bonus on the sale of BBVA USA. Of this Deferred Portion, the whole of it is payable in one case and the 60% of it in the other one, in accordance with the vesting and payment schedule applicable in each case pursuant to the remuneration policy applicable in that financial year.

- 2019 Deferred AVR: second payment (20% of the Deferred Portion) to the members of Senior Management that are beneficiaries, including the update of its cash portion. Thereafter, 20% of the 2019 Deferred AVR will be deferred, which, if the conditions are met, will be paid in 2025. In addition, it includes the second payment (20%) of the Deferred Portion of a retention plan to be made to a member of Senior Management.

- 2018 Deferred AVR: third and final payment (20% of the Deferred Portion) to the members of Senior Management that are beneficiaries, including the update of its cash portion. Thereafter, the payment of the 2018 Deferred AVR to its beneficiaries will be completed.

(2) Deferred remuneration to be paid after 2022 year-end. Payment thereof to the members of Senior Management who were beneficiaries was made in 2023 in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: in 2023, the first payment (20% of the Deferred Portion) was made to the members of the Senior Management, including the update of its cash portion.

- 2019 Deferred AVR: in 2023, the members of Senior Management who were beneficiaries were paid the amounts that corresponded in each case (either 60% of the Deferred Portion or the whole of it) in accordance with the payment schedule established in the remuneration policies applicable in 2019, including the update of its cash portion. In addition, two members of the Senior Management were paid the Deferred Portion of a retention plan pursuant to the vesting and payment rules established in the remuneration policy applicable to that financial year.

- 2018 Deferred AVR: in 2023, the second payment (20% of the Deferred Portion) was made to the members of the Senior Management who were beneficiaries, including the update of its cash portion.

- 2017 Deferred AVR: in 2023, the third and final payment (20% of the Deferred Portion) was paid to the members of the Senior Management who were beneficiaries, including the update of its cash portion. Thereafter, the payment of the 2017 Deferred AVR to its beneficiaries was completed.

(3) 15 members as of December 31, 2023 and 16 members at December 31, 2022, excluding executive directors in both cases.

Pension commitments with members of Senior Management

In the 2023 financial year, an aggregate total amount of €3,829 thousand was registered to cover pension commitments with members of Senior Management (15 members with such status as of December 31, 2023, excluding executive directors), which corresponds to the annual contribution agreed to cover the retirement contingency, increased by an amount of €144 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2022, which were declared once that year had ended and which had to be contributed to the accumulated fund in 2023. Likewise, a total joint amount of €1,102 thousand has been paid in insurance premiums for death and disability contingencies.

As of December 31, 2023, the total accumulated fund to meet the retirement commitments with members of Senior Management amounted to €34,069 thousand.

As in the case of executive directors, 15% of the agreed annual contributions to cover the contingency of retirement for members of Senior Management, 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 to any other conditions concerning 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 corresponding to the 2023 financial year, a total combined amount of €551 thousand was registered in said financial year as "discretionary pension benefits". Following the end of the financial year, as in the case of the Chair, this amount was adjusted by applying the same criteria used to determine the Short-Term Incentive that is part of the Annual Variable Remuneration of the members of Senior Management for the 2023 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 €701 thousand, which represents an upward adjustment of €150 thousand. These "discretionary pension benefits" will be contributed to the accumulated fund in the 2024 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.

Pension systems (thousands of Euros)

	Contributions (1)				Funds accumulated	
	Retirement		Death and disability			
	2023	2022	2023	2022	2023	2022
Senior Management Total (2)	3,829	3,694	1,102	1,465	34,069	29,435

. (1) Contributions recognized to meet pension commitments with all Senior Management in 2023 and 2022, which correspond to the sum of the annual retirement pension contributions and the adjustments made to the "discretionary pension benefits" for 2022 and 2021 whose contribution was to be made in 2023 and 2022, respectively, and to the insurance premiums paid by the Bank for death and disability contingencies.
(2) 15 members at December 31, 2023 and 16 members at December 31, 2022, excluding executive directors in both cases

Payments for the termination of the contractual relationship

Regarding Senior Management, excluding the executive directors, the Bank paid during the 2023 financial year a total of €2,802 thousand derived from the termination of the contractual relationship of a member of the Senior Management which corresponds to the legal severance payment and notice payment in accordance with the provisions of this Senior Manager's contract. In this sense, the Senior Management contracts include the right to receive the corresponding legal severance payment, provided that removal is not pursuant to a willful decision, retirement, disability or serious dereliction of duties, the amount of which will be calculated in accordance with the provisions in the applicable labor regulations, as well as a clause of notice. Likewise, the contract establishes a post-contractual non-compete agreement for a one-year term from removal for any reason other than retirement, disability or serious dereliction of duties. In compensation for this agreement, the aforementioned member of Senior Management received an amount of €110 thousand during 2023.

These payments comply with the conditions set out in the regulations applicable to the group of employees with a material impact on the risk profile of BBVA and its Group, to which members of BBVA's Senior Management belong.

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, 2023, 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 2023, 2022 and 2021 (cash basis dividend, regardless of the year in which they were accrued). For a complete analysis of all remuneration awarded to the shareholders in 2023, 2022 and 2021 (see Note 4).

Paid Dividends

	2023			2022			2021		
	% 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	95.92 %	0.47	2,812	71.43 %	0.35	2,190	16.33 %	0.08	533
Rest of shares	—	—	—	—	—	—	—	—	—
Total dividends paid in cash	**95.92 %**	**0.47**	**2,812**	**71.43 %**	**0.35**	**2,190**	**16.33 %**	**0.08**	**533**
Dividends with charge to income	95.92 %	0.47	2,812	24.49 %	0.12	724	16.33 %	0.08	533
Dividends with charge to reserve or share premium	— %	—	—	46.94 %	0.23	1,467	—	—	—
Dividends in kind	—	—	—	—	—	—	—	—	—
Flexible payment	—	—	—	—	—	—	—	—	—

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, 2023, 2022 and 2021:

Ordinary income and attributable profit by operating segment (Millions of Euros)

	Income from ordinary activities (1)			Profit/ (loss) (2)		
	2023	2022 (3)	2021	2023	2022 (3)	2021
Spain	16,665	9,357	8,225	2,755	1,667	1,548
Mexico	22,822	16,446	11,685	5,340	4,131	2,551
Turkey	10,674	7,860	7,388	528	505	739
South America	10,913	8,689	5,961	613	738	476
Rest of Business	3,053	1,357	925	389	240	276
Subtotal operating segments	**64,127**	**43,710**	**34,184**	**9,626**	**7,280**	**5,590**
Corporate Center and adjustments (4)	(717)	(81)	284	(1,607)	(922)	(938)
Total	**63,410**	**43,629**	**34,468**	**8,019**	**6,358**	**4,653**

(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) See Note 6.
(3) Restated balances according to IFRS 17 - Insurance contracts, which had no material impacts to that date (see Notes 1.3 and 2.3).
(4) Adjustments include: (I) the impact of the purchase of offices in Spain in 2022 in the transaction with Merlin Properties (see Note 17) and (II) the costs associated with the collective layoff procedure in 2021 (see Note 24).

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	2023	2022	2021
Domestic		12,621	5,410	4,311
Foreign		35,229	26,023	18,704
European Union		*1,149*	*473*	*315*
Eurozone		*925*	*327*	*204*
Not Eurozone		*224*	*146*	*112*
Other countries		*34,081*	*25,550*	*18,388*
Total	**37.1**	**47,850**	**31,432**	**23,015**

Number of employees

The detail of the average number of employees is as follows as of December 31, 2023, 2022 and 2021:

Average number of employees

	2023	2022	2021
Men	56,907	53,642	54,116
Women	62,078	59,389	62,169
Total	**118,985**	**113,031**	**116,285**

The breakdown of the average number of employees in the BBVA Group as of December 31, 2023, 2022 and 2021 is as follows:

Average number of employees

	2023	2022	2021
Spanish banks			
Management Team	1,722	1,509	1,406
Managers	9,582	8,863	8,783
Other line personnel and clerical staff	9,878	9,984	12,363
Branches abroad	1,131	1,041	981
Subtotal	**22,313**	**21,397**	**23,533**
Banks abroad			
Mexico	42,834	39,471	35,845
The United States	—	—	4,032
Turkey	21,810	21,803	21,791
Venezuela	1,772	1,709	1,875
Argentina	5,771	5,674	5,773
Colombia	5,419	5,385	5,130
Peru	6,990	6,327	6,077
Other	650	644	831
Subtotal	**85,245**	**81,013**	**81,354**
Pension fund managers	**258**	**469**	**469**
Other non-banking companies	**11,169**	**10,152**	**10,929**
Total	**118,985**	**113,031**	**116,285**

The breakdown of the number of employees in the BBVA Group as of December 31, 2023, 2022 and 2021 by category and gender is as follows:

Number of employees at the year end. Professional category and gender

	2023		2022		2021	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Management team	3,557	1,886	3,425	1,726	3,211	1,572
Managers	20,741	19,986	19,361	19,116	18,461	18,810
Other line personnel and clerical staff	34,203	41,113	32,139	39,908	30,237	38,141
Total	**58,501**	**62,985**	**54,925**	**60,750**	**51,909**	**58,523**

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).

56. Subsequent events

On January 18, 2024, a press release from the Constitutional Court of Spain was published announcing the unanimous decision of the Plenary Session of this jurisdictional body declaring unconstitutional certain measures related to Corporate Income Tax introduced by the Royal Decree-Law 3/2016. On January 29, 2024, this ruling was published on the website of the Constitutional Court, although the publication in the Official State Gazette (BOE), as of the date of preparation of these Consolidated Annual Financial Statements remains pending.

The effects of this ruling will depend on the resolution of each of the claims filed in relation to the affected financial years, so the calculation of its impact, both with regard to the quantification of the magnitudes affected, as well as regarding their timing, will depend on said execution process. It is expected that the impacts of the different execution processes could have a positive aggregate impact on the Group's total equity, allowing an acceleration in the use of tax credits and a possible recovery of cash from taxes paid in previous years, all subject to the decisions that, with respect to each financial year and as part of the execution process, the Group may adopt in this regard and without, in any case, said impact expected to exceed approximately 0.4% of the Group's total equity in the aggregate.

On January 30, 2024, it was announced that a cash distribution in the amount of €0.39 gross per share to be paid in April as a final dividend for the year 2023 and the execution of a share buyback program of BBVA for an amount of €781 million were planned to be proposed to the corresponding corporate bodies for consideration as ordinary remuneration to shareholders for 2023, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution. (See Note 4).

From January 1, 2024 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, 2023

			% share of participation (1)			Millions of Euros (2) Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.2023**	**Profit (loss) 31.12.2023**
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	11	8	3
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	19	18	1
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	1,188	1,198	—
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	—	100.00	100.00	23	23	—
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1,136	1,142	(6)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	—	100.00	100.00	21	21	—
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	—	100.00	100.00	24	15	(2)
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	—	100.00	100.00	11	16	(3)
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	(2)
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	24	—
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.59	66.56	158	494	820
BANCO BBVA PERÚ SA (3)	PERU	BANKING	—	46.12	46.12	1,390	2,551	463
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	—	100.00	110	242	76
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	1
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	—	100.00	100.00	51	45	6
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	48	175	45
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	99.80	0.20	100.00	—	609	56
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	—	100.00	118	152	7
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	—	100.00	100.00	—	—	—
BBVA AI FACTORY SL	SPAIN	SERVICES	—	100.00	100.00	5	5	—
BBVA ASSET MANAGEMENT ARGENTINA SAU SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN	ARGENTINA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	13	—	13
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	48	25	22
BBVA ASSET MANAGEMENT SA SAF	PERU	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	7	6	1
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	INVESTMENT FUND MANAGEMENT	100.00	—	100.00	36	(73)	136
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	28	20	8
BBVA AXIAL TECH SA DE CV	MEXICO	SERVICES	100.00	—	100.00	231	281	3
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	—	100.00	100.00	3	3	—
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	—	100.00	16	21	1
BBVA BROKER ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	—	99.96	99.96	—	2	10
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	—	3	6
BBVA COLOMBIA SA	COLOMBIA	BANKING	77.41	18.06	95.47	521	1,463	89

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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, 2023. 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 individual companies and foreign companies at exchange rate as of December 31, 2023. 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, 2023 (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) 31.12.2023	Profit (loss) 31.12.2023
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME SA (BBVA CONSUMER FINANCE - EDPYME)	PERU	IN LIQUIDATION	—	100.00	100.00	4	4	—
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	7	3	4
BBVA FUNDOS S.GESTORA FUNDOS PENSOES SA	PORTUGAL	PENSION FUND MANAGEMENT	100.00	—	100.00	9	8	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 GLOBAL WEALTH ADVISORS INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	6	7	(1)
BBVA HOLDING CHILE SA	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	158	291	19
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO SA	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	62	1
BBVA LEASING MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	51	258	40
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	99.99	0.01	100.00	11	(14)	28
BBVA MEXICO SA INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA MEXICO	MEXICO	BANKING	—	100.00	100.00	17,545	12,979	4,566
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
BBVA NEXT TECHNOLOGIES SLU	SPAIN	SERVICES	100.00	—	100.00	44	40	6
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	2	—
BBVA OPERADORA MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	79	73	6
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	397	318	79
BBVA PENSIONES SA ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUND MANAGEMENT	100.00	—	100.00	13	16	10
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	—	100.00	112	1,184	214
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUND MANAGEMENT	75.00	5.00	80.00	2	5	—
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	63	61	(1)
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	233	244	(16)
BBVA SEGUROS ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	10	11	32
BBVA SEGUROS COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	31	11
BBVA SEGUROS DE VIDA COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	123	52
BBVA SEGUROS MÉXICO SA DE CV GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	687	185	502
BBVA SEGUROS SA DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	—	99.96	713	704	224
BBVA SEGUROS SALUD MEXICO SA DE CV GRUPO FRO. BBVA MEXICO.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	26	14	11
BBVA SERVICIOS ADMINISTRATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	8	6	2
BBVA SERVICIOS CORPORATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	5	5	1
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	—
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	—	100.00	100.00	13	11	2
BILBAO VIZCAYA HOLDING SAU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	265	387	(61)

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2023 (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) 31.12.2023**	**Profit (loss) 31.12.2023**
CAIXA MANRESA IMMOBILIARIA ON CASA SL	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
CARTERA E INVERSIONES SA	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	92	136	1
CASA DE BOLSA BBVA MEXICO SA DE CV	MEXICO	SECURITIES DEALER	—	100.00	100.00	89	52	37
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
CATALUNYACAIXA IMMOBILIARIA SA	SPAIN	REAL ESTATE	100.00	—	100.00	186	185	1
CATALUNYACAIXA SERVEIS SA	SPAIN	SERVICES	100.00	—	100.00	2	2	—
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	17	17	—
CIERVANA SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	53	54	29
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	—	—	—
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	—	100.00	100.00	5	5	—
COMPAÑIA CHILENA DE INVERSIONES SL	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	282	(14)
CONSOLIDAR A.F.J.P SA	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 BV	NETHERLANDS	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	2	1	—
CORPORACION GENERAL FINANCIERA SA	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	510	904	35
CREA MADRID NUEVO NORTE SA	SPAIN	REAL ESTATE	—	75.54	75.54	143	193	(4)
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	—	2	(1)
DATA ARQUITECTURE AND TECHNOLOGY OPERADORA SA DE CV	MEXICO	SERVICES	—	100.00	100.00	—	—	—
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
ECASA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	37	32	4
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	3	5	(2)
EUROPEA DE TITULIZACION SA SGFT .	SPAIN	FINANCIAL SERVICES	88.24	—	88.24	2	19	2
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION [3]	MEXICO	REAL ESTATE	—	42.40	42.40	—	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	5	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	3	2	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	—	2	—
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	—	100.00	100.00	5	2	2
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	IN LIQUIDATION	—	100.00	100.00	7	6	—
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. EN LIQUIDACION	SPAIN	IN LIQUIDATION	—	60.00	60.00	—	—	—
FORUM COMERCIALIZADORA DEL PERU SA	PERU	SERVICES	—	100.00	100.00	1	1	—
FORUM DISTRIBUIDORA DEL PERU SA	PERU	FINANCIAL SERVICES	—	100.00	100.00	8	7	1

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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, 2023 (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) 31.12.2023**	**Profit (loss) 31.12.2023**
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	51	39	10
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	234	215	10
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	393	323	—
GARANTI BANK SA	ROMANIA	BANKING	—	100.00	100.00	252	363	33
GARANTI BBVA AS	TURKEY	BANKING	85.97	—	85.97	5,038	5,090	2,671
GARANTI BBVA DIJITAL VARLIKLAR ANONIM SIRKETI	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	14	14	(3)
GARANTI BBVA EMEKLILIK AS	TURKEY	INSURANCES SERVICES	—	84.91	84.91	93	46	65
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	—	81.84	81.84	43	21	32
GARANTI BBVA FILO AS	TURKEY	SERVICES	—	100.00	100.00	169	66	102
GARANTI BBVA FINANSAL TEKNOLOJI ANONIM SIRKETI	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	11	14	—
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	253	121	132
GARANTI BBVA PORTFOY YONETIMI AS	TURKEY	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	22	10	13
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	167	68	99
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(3)	(8)
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	—	—	1
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	615	393	—
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	10	6	5
GARANTI ODEME VE ELEKTRONIK PARA HIZMETLERI ANONIM SIRKETI	TURKEY	PAYMENT ENTITIES	—	100.00	100.00	7	8	(1)
GARANTI YATIRIM ORTAKLIGI AS (3) (4)	TURKEY	INVESTMENT COMPANY	—	3.61	3.61	—	2	1
GARANTIBANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	—	100.00	100.00	833	647	101
GESCAT GESTIO DE SOL SL	SPAIN	REAL ESTATE	100.00	—	100.00	8	8	—
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
GESCAT LLOGUERS SL	SPAIN	REAL ESTATE	100.00	—	100.00	3	3	—
GESCAT VIVENDES EN COMERCIALITZACIO SL	SPAIN	REAL ESTATE	100.00	—	100.00	34	35	(2)
GESTION DE PREVISION Y PENSIONES SA	SPAIN	PENSION FUND MANAGEMENT	60.00	—	60.00	9	17	5
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	—	100.00	100.00	1	2	—
GRAN JORGE JUAN SA	SPAIN	REAL ESTATE	100.00	—	100.00	424	446	15
GRUPO FINANCIERO BBVA MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	99.98	—	99.98	9,826	15,950	5,225
INMUEBLES Y RECUPERACIONES BBVA SA	PERU	REAL ESTATE	—	100.00	100.00	37	36	1
INVERAHORRO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	130	134	(3)
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	47	6
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	1

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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, 2023 (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) 31.12.2023	Profit (loss) 31.12.2023
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 SA	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	34	35	4
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	—	100.00	100.00	—	4	1
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	COLOMBIA	IN LIQUIDATION	—	50.00	50.00	—	42	(26)
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	101	76	25
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	—	100.00	100.00	3	3	—
OPENPAY ARGENTINA SA	ARGENTINA	PAYMENT ENTITIES	—	100.00	100.00	6	2	1
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	—	100.00	100.00	7	3	(2)
OPENPAY PERÚ SA	PERU	PAYMENT ENTITIES	—	100.00	100.00	13	6	(5)
OPENPAY SA DE CV	MEXICO	PAYMENT ENTITIES	—	100.00	100.00	44	23	(10)
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 SA	SPAIN	SERVICES	100.00	—	100.00	1	33	9
PECRI INVERSION SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	119	111	7
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	20	—
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	31	28	2
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	12	21	—
PROPEL VENTURE PARTNERS GLOBAL US, LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	114	171	41
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	99.50	—	99.50	163	249	(31)
PROPEL XYZ I LP	UNITED STATES	INVESTMENT COMPANY	—	99.40	99.40	11	13	(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 SA	ARGENTINA	BANKING	—	50.00	50.00	7	6	8
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	36	17	(7)
RPV COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	—	—
SATICEM GESTIO SL	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SATICEM HOLDING SL	SPAIN	REAL ESTATE	100.00	—	100.00	5	5	—
SATICEM IMMOBLES EN ARRENDAMENT SL	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—

(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, 2023. 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 individual companies and foreign companies at exchange rate as of December 31, 2023. 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, 2023 (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) 31.12.2023	Profit (loss) 31.12.2023
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	—	100.00	100.00	10	9	1
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	(1)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO SA	SPAIN	SERVICES	100.00	—	100.00	64	66	(2)
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	2	3	(1)
SPORT CLUB 18 SA	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	11	11	—
TREE INVERSIONES INMOBILIARIAS SA	SPAIN	REAL ESTATE	100.00	—	100.00	1,488	277	59
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	—	100.00	100.00	1	1	—
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS SA	SPAIN	REAL ESTATE	100.00	—	100.00	529	437	—
URBANIZADORA SANT LLORENC SA	SPAIN	INACTIVE	60.60	—	60.60	—	—	—
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	—	51.00	51.00	13	8	17

(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, 2023. 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 individual companies and foreign companies at exchange rate as of December 31, 2023. The data of the companies in Turkey and Argentina are prior to the application of hyperinflation accounting.

This Appendix is an integral part of Note 3 of the consolidated financial statements for the year ended December 31, 2023.

APPENDIX II. Additional information on investments joint ventures and associates in the BBVA Group as of December 31, 2023

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	Consolidated Net carrying amount	Assets 31.12.2023	Liabilities 31.12.2023	Equity excluding profit (loss) 31.12.2023	Profit (loss) 31.12.2023
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	—	44.44	44.44	4	23	13	9	1
ATOM HOLDCO LIMITED	UNITED KINGDOM	INVESTMENT COMPANY	49.51	—	49.51	211	9,222	8,756	444	22
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	—	49.00	49.00	5	11	1	9	1
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	—	50.00	50.00	251	917	377	530	10
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO SA	SPAIN	PUBLIC COMPANIES AND INSTITUTIONS	16.67	—	16.67	35	218	10	187	22
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	PERU	ELECTRONIC MONEY ENTITIES	—	28.50	28.50	1	4	—	3	1
FRAUDFENSE SL	SPAIN	REAL ESTATE	—	33.33	33.33	2	6	1	7	(2)
METROVACESA SA	ARGENTINA	PAYMENT ENTITIES	9.44	11.41	20.85	259	2,482	801	1,706	(24)
REDSYS SERVICIOS DE PROCESAMIENTO SL	SPAIN	FINANCIAL SERVICES	24.90	—	24.90	22	134	48	80	7
ROMBO COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	—	40.00	40.00	3	39	30	2	7
SBD CREIXENT, S.A.	SPAIN	REAL ESTATE	—	23.05	23.05	1	6	1	5	—
SEGURIDAD Y PROTECCION BANCARIAS SA DE CV	MEXICO	SERVICES	—	26.14	26.14	1	5	—	4	1
SERVICIOS ELECTRONICOS GLOBALES SA DE CV	MEXICO	SERVICES	—	46.14	46.14	36	77	—	58	19
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO SA	SPAIN	FINANCIAL SERVICES	28.72	—	28.72	8	56	29	27	—
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO SA	SPAIN	PAYMENT ENTITIES	20.61	—	20.61	2	487	478	5	4
SOLARIS SE [2]	GERMANY	BANKING	—	15.53	15.53	34	2,013	1,795	240	(21)
TELEFONICA FACTORING ESPAÑA SA [3]	SPAIN	FINANCIAL SERVICES	30.00	—	30.00	5	120	103	7	10
TF PERU SAC	PERU	FINANCIAL SERVICES	—	24.30	24.30	1	6	1	4	2
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	—	32.05	32.05	1	17	13	14	(10)
JOINT VENTURES										
ALTURA MARKETS SOCIEDAD DE VALORES SA	SPAIN	SECURITIES DEALER	50.00	—	50.00	31	1,808	1,745	48	14
COMPAÑIA MEXICANA DE PROCESAMIENTO SA DE CV	MEXICO	SERVICES	—	50.00	50.00	7	15	—	23	(8)
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. [4]	SPAIN	INVESTMENT COMPANY	—	50.00	50.00	29	62	4	58	—
F/ 5356 FIDEICOMISO IRREVOCABLE DE ADM. INMOBILIARIA CON DERECHO DE REVERSIÓN- FIDEICOMISO SELVA	MEXICO	REAL ESTATE	—	42.40	42.40	8	19	—	19	—
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA [4]	MEXICO	REAL ESTATE	—	44.09	44.09	12	206	—	206	—
INVERSIONES PLATCO CA	VENEZUELA	FINANCIAL SERVICES	—	50.00	50.00	5	11	1	12	(1)
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	—	39.11	39.11	1	3	—	3	—
RCI COLOMBIA SA COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	—	49.00	49.00	40	1,000	919	80	1

(1) In foreign companies the exchange rate of December 31, 2023 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, 2022.
(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, 2023.

APPENDIX III. Changes and notifications of participations in the BBVA Group in 2023

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 last transaction (or notification Date)
BBVA GLOBAL WEALTH ADVISORS INC	FOUNDING	100.00	01-Jun-23
GARANTI BBVA DIJITAL VARLIKLAR ANONIM SIRKETI	FOUNDING	100.00	05-May-23
GARANTI BBVA FINANSAL TEKNOLOJI ANONIM SIRKETI	FOUNDING	100.00	30-Apr-23

(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 last transaction (or notification Date)
BAHIA SUR RESORT S.C.	LIQUIDATION	—	16-May-23
BBVA DISCOVERY INC	LIQUIDATION	—	01-Nov-23
BBVA INFORMATION TECHNOLOGY ESPAÑA SLU	MERGER	—	01-Dec-23
CDD GESTIONI S.R.L. IN LIQUIDAZIONE	LIQUIDATION	—	12-Jan-23
DATA ARCHITECTURE AND TECHNOLOGY S.L.	MERGER	—	01-Dec-23
FUTURO FAMILIAR, S.A. DE C.V.	LIQUIDATION	—	01-Nov-23
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS MEXICO SACV	DILUTION PARTIC.	—	06-Jun-23
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS USA LLC	DILUTION PARTIC.	—	06-Jun-23

(1) Variations of less than 0.1% have not been considered due to immateriality.

Changes and notifications of participations in the BBVA Group in 2023 (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 last transaction (or notification Date)
F/ 5356 FIDEICOMISO IRREVOCABLE DE ADM. INMOBILIARIA CON DERECHO DE REVERSIÓN- FIDEICOMISO SELVA	FOUNDING	42.40	01-Oct-23
NUEVO MARKETPLACE, S.L. (EN LIQUIDACIÓN)	CAPITAL INCREASE	30.23	22-Nov-23
PLAY DIGITAL SA	CAPITAL INCREASE	11.06	31-Mar-23
FRAUDFENSE SL	FOUNDING	33.33	27-Jul-23
ATOM HOLDCO LIMITED	CAPITAL INCREASE	49.51	10-Nov-23

(1) Variations of less than 0.1% have not been considered due to immateriality.

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 last transaction (or notification Date)
CABAL URUGUAY, S.A.	DISPOSAL	—	03-Jan-23
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	DILUTION PARTIC.	32.05	06-Jun-23
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	DISPOSAL	20.20	01-Oct-23

(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, 2023.

APPENDIX IV. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2023

		% 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	—	48.00
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
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
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	IN LIQUIDATION	—	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
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, 2023.

APPENDIX V. BBVA Group's securitization funds. Structured entities in 2023.

			Millions of Euros	
Securitization fund (consolidated)	Company	Origination date	Total securitized exposures at the origination date	Total securitized exposures as of December 31, 2023
TDA 19	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Feb-04	600	29
TDA 22	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Dec-04	592	37
Hipocat 9	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-05	1,016	94
Hipocat 10	BANCO BILBAO VIZCAYA ARGENTARIA SA	05-Jul-06	1,526	140
AYT HIP MIXTO V	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Jul-06	120	74
TDA 27	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Dec-06	275	122
TDA 28	BANCO BILBAO VIZCAYA ARGENTARIA SA	23-Jul-07	250	87
BBVA RMBS 1 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	19-Feb-07	2,500	523
Hipocat 11	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Mar-07	1,628	157
BBVA RMBS 2 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	26-Mar-07	5,000	982
BBVA Leasing 1 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Jun-07	2,500	87
BBVA RMBS 3 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Jul-07	3,000	921
TDA Tarragona 1	BANCO BILBAO VIZCAYA ARGENTARIA SA	30-Nov-07	397	50
BBVA RMBS 5 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-May-08	5,000	1,526
GAT ICO-FTVPO1	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Jun-09	780	15
BBVA RMBS 9 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Apr-10	1,295	537
BBVA RMBS 14 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Nov-14	700	278
BBVA RMBS 17 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Nov-16	1,800	868
BBVA Consumer Auto 2020-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	15-Jun-20	1,100	521
BBVA Consumo 11	BANCO BILBAO VIZCAYA ARGENTARIA SA	12-Mar-21	2,500	845
BBVA RMBS 20 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	14-Jun-21	2,500	1,929
BBVA RMBS 21 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	17-Mar-22	12,400	9,975
BBVA Consumer Auto 2022-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	13-Jun-22	1,200	765
BBVA RMBS 22 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	28-Nov-22	1,400	1,281
BBVA Consumo 12	BANCO BILBAO VIZCAYA ARGENTARIA SA	13-Mar-23	3,000	2,357
BBVA Consumer Auto 2023-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	08-Jun-23	804	718
BBVA Leasing 3 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Nov-23	2,400	2,313

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, 2023, 2022 and 2021

Outstanding as of December 31, 2023, 2022 and 2021 of subordinated issues

		Nominal value. Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2023**	**December 2022**	**December 2021**	**Prevailing Interest Rate as of December 31, 2023**	**Maturity Date**
Issues in Euros						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
March-08	EUR	125	125	125	6.03 %	March-33
July-08	EUR	—	100	100	6.20 %	July-23
March-19	EUR	1,000	1,000	1,000	6.00 %	Perpetual
July-20	EUR	1,000	1,000	1,000	6.00 %	Perpetual
February-17	EUR	1,000	1,000	1,000	3.50 %	February-27
February-17	EUR	99	99	99	4.00 %	February-32
March-17	EUR	65	65	65	4.00 %	February-32
May-17	EUR	—	—	500	— %	Perpetual
May-17	EUR	150	150	150	2.54 %	May-27
September-18	EUR	—	1,000	1,000	5.88 %	Perpetual
February-19	EUR	750	750	750	2.58 %	February-29
January-20	EUR	994	994	994	1.00 %	January-30
June-23	EUR	741	—	—	5.75 %	May-33
June-23	EUR	1,000	—	—	8.38 %	Perpetual
Different issued	EUR	127	177	245	— %	
Total issued in Euros	**EUR**	**7,050**	**6,460**	**7,027**		

Outstanding as of December 31, 2023, 2022 and 2021 of subordinated issues

		Nominal value. Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2023**	**December 2022**	**December 2021**	**Prevailing Interest Rate as of December 31, 2023**	**Maturity Date**
Issues in foreign currency						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
March-17	USD	109	113	106	5.70 %	March-32
November-17	USD	905	938	883	6.13 %	Perpetual
May-18	USD	269	279	263	5.25 %	May-33
September-19	USD	905	938	883	6.50 %	Perpetual
September-23	USD	905	—	—	9.38 %	Perpetual
November-23	USD	679	—	—	7.88 %	November-34
Subtotal	**USD**	**3,772**	**2,267**	**2,135**		
May-17	CHF	22	20	19	1.60 %	May-27
Subtotal	**CHF**	**22**	**20**	**19**		
July-20	GBP	345	338	357	3.10 %	July-31
August-23	GBP	345	—	—	8.25 %	November-33
Subtotal	**GBP**	**690**	**338**	**357**		
BBVA GLOBAL FINANCE LTD [(1)]						
December-95	USD	179	187	176	7.00 %	December-25
Subtotal	**USD**	**179**	**187**	**176**		
BBVA BANCOMER S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER						
July-12	USD	—	—	1,329	6.75 %	September-22
November-14	USD	178	187	177	5.35 %	November-29
January-18	USD	903	935	886	5.13 %	January-33
September-19	USD	676	702	665	5.88 %	September-34
June-23	USD	906	—	—	8.45 %	June-38
Subtotal	**USD**	**2,663**	**1,824**	**3,057**		
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.						
November-17	USD	—	1	—	9.54 %	February-64
Subtotal	**USD**	**—**	**1**	**—**		

(1) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank.

Outstanding as of December 31, 2023, 2022 and 2021 of subordinated issues

Issuer entity and issued date	Currency	Nominal value. Millions of Euros December 2023	December 2022	December 2021	Prevailing Interest Rate as of December 31, 2022	Maturity Date
BBVA COLOMBIA S.A.						
September-11	COP	37	30	35	14.42 %	September-26
February-13	COP	—	39	44	16.58 %	February-23
February-13	COP	39	32	37	13.01 %	February-28
November-14	COP	21	18	20	13.55 %	November-29
November-14	COP	27	20	32	13.68 %	November-34
Subtotal	**COP**	**124**	**139**	**168**		
April-15	USD	362	375	349	4.88 %	April-25
Subtotal	**USD**	**362**	**375**	**349**		
BBVA BANCO CONTINENTAL S.A.						
June-07	PEN	24	23	19	3.47 %	June-32
November-07	PEN	21	21	17	3.56 %	November-32
July-08	PEN	—	18	15	3.06 %	July-23
September-08	PEN	—	20	16	3.09 %	September-23
December-08	PEN	12	12	10	4.19 %	December-33
Subtotal	**PEN**	**57**	**93**	**77**		
May-07	USD	—	—	18	6.00 %	May-27
February-08	USD	18	19	18	6.47 %	February-28
October-13	USD	—	43	40	6.53 %	October-28
September-14	USD	267	270	272	5.25 %	September-29
Subtotal	**USD**	**285**	**332**	**349**		
GARANTI BBVA AS						
May-17	USD	667	698	645	7.30 %	May-27
Subtotal	**USD**	**667**	**698**	**645**		
October-19	TRY	8	13	17	46.02 %	October-29
February-20	TRY	23	38	49	51.55 %	February-30
Subtotal	**TRY**	**31**	**50**	**66**		
Total Issues in other currencies		**8,851**	**6,326**	**7,398**		

APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2023, 2022 and 2021

	U.S. Dollar	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
December 2023					
Assets					
Cash, cash balances at central banks and other demand deposits	13,372	7,581	3,764	4,089	28,807
Financial assets held for trading	21,147	28,570	282	5,806	55,806
Non- trading financial assets mandatorily at fair value through profit or loss	1,292	6,596	5	186	8,079
Financial assets at fair value through comprehensive income	9,384	20,767	1,785	4,484	36,421
Financial assets at amortized cost	58,732	81,907	31,298	46,122	218,059
Joint-ventures and associates	5	19	—	590	614
Tangible assets	105	2,609	1,446	995	5,155
Other assets	(1,049)	6,872	1,761	2,346	9,930
Total	**102,988**	**154,922**	**40,341**	**64,619**	**362,870**
Liabilities					
Financial liabilities held for trading	21,204	17,829	207	2,705	41,946
Financial liabilities at amortized cost	78,365	95,685	30,127	50,900	255,076
Other liabilities	3,223	20,186	1,048	2,801	27,258
Total	**102,792**	**133,700**	**31,382**	**56,406**	**324,280**
December 2022 (1)					
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	16,028	3,188	8,841	36,358
Financial assets at amortized cost	52,248	70,744	29,938	42,173	195,103
Joint-ventures and associates	5	17	—	333	354
Tangible assets	14	2,143	1,166	1,137	4,459
Other assets	(365)	4,609	1,789	3,070	9,103
Total	**91,858**	**125,984**	**36,994**	**63,036**	**317,872**
Liabilities					
Financial liabilities held for trading	9,722	18,110	234	1,499	29,564
Financial liabilities at amortized cost	77,697	75,029	24,567	48,984	226,277
Other liabilities	2,748	16,397	1,216	2,067	22,428
Total	**90,167**	**109,535**	**26,016**	**52,549**	**278,268**
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**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

This Appendix is an integral part of Notes 2.2.17 of the consolidated financial statements for the year ended December 31, 2023.

APPENDIX VIII. Consolidated income statements for the first and second half of 2023 and 2022

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Six months ended June 30, 2023	Six months ended December 31, 2023	Six months ended June 30, 2022 (1)	Six months ended December 31, 2022 (1)
Interest and other income	21,897	25,953	13,403	18,029
Financial assets at fair value through other comprehensive income	*1,913*	*1,186*	*1,304*	*1,806*
Financial assets at amortized cost	*17,305*	*21,022*	*10,395*	*14,863*
Other interest income	*2,679*	*3,745*	*1,704*	*1,360*
Interest expense	(10,487)	(14,274)	(4,865)	(7,444)
NET INTEREST INCOME	**11,410**	**11,680**	**8,538**	**10,586**
Dividend income	73	45	76	47
Share of profit or loss of entities accounted for using the equity method	14	12	15	6
Fee and commission income	4,498	5,400	3,964	4,296
Fee and commission expense	(1,590)	(2,021)	(1,305)	(1,583)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(1)	77	39	25
Financial assets at amortized cost	*35*	*7*	*8*	*—*
Other financial assets and liabilities	*(36)*	*71*	*31*	*25*
Gains (losses) on financial assets and liabilities held for trading, net	283	1,069	11	551
Reclassification of financial assets from fair value through other comprehensive income	—	—	—	—
Reclassification of financial assets from amortized cost	—	—	—	—
Other gains (losses)	*283*	*1,069*	*11*	*551*
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(35)	371	(35)	(32)
Reclassification of financial assets from fair value through other comprehensive income	—	—	—	—
Reclassification of financial assets from amortized cost	—	—	—	—
Other gains (losses)	*(35)*	*371*	*(35)*	*(32)*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150	(54)	348	(198)
Gains (losses) from hedge accounting, net	73	(90)	16	(61)
Exchange differences, net	304	35	716	558
Other operating income	333	286	297	231
Other operating expense	(1,944)	(2,098)	(1,803)	(1,634)
Income from insurance and reinsurance contracts	1,645	1,436	1,343	1,280
Expense from insurance and reinsurance contracts	(1,065)	(756)	(802)	(744)
GROSS INCOME	**14,148**	**15,394**	**11,417**	**13,327**
Administration costs	(5,262)	(5,643)	(4,371)	(5,002)
Personnel expense	*(3,081)*	*(3,449)*	*(2,582)*	*(3,019)*
Other administrative expense	*(2,181)*	*(2,194)*	*(1,790)*	*(1,983)*
Depreciation and amortization	(676)	(727)	(652)	(676)
Provisions or reversal of provisions	(129)	(245)	(112)	(179)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,993)	(2,436)	(1,441)	(1,938)
Financial assets measured at amortized cost	(1,958)	(2,428)	(1,391)	(1,912)
Financial assets at fair value through other comprehensive income	(35)	(8)	(50)	(26)
NET OPERATING INCOME	**6,088**	**6,344**	**4,841**	**5,531**
Impairment or reversal of impairment of investments in joint ventures and associates	10	(19)	19	24
Impairment or reversal of impairment on non-financial assets	(13)	(40)	—	(27)
Tangible assets	*3*	*(18)*	*22*	*31*
Intangible assets	*(10)*	*(16)*	*(5)*	*(20)*
Other assets	*(6)*	*(6)*	*(17)*	*(38)*
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	8	20	(15)	4
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	29	(8)	(120)	13
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**6,122**	**6,297**	**4,724**	**5,544**
Tax expense or income related to profit or loss from continuing operations	(1,978)	(2,025)	(1,650)	(1,855)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**4,144**	**4,272**	**3,074**	**3,689**
Profit (loss) after tax from discontinued operations	—	—	—	—
PROFIT (LOSS)	**4,144**	**4,272**	**3,074**	**3,689**
ATTRIBUTABLE TO MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**266**	**131**	**117**	**289**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**3,878**	**4,141**	**2,957**	**3,401**

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

APPENDIX VIII. Consolidated income statements for the first and second half of 2023 and 2022 (continued)

EARNINGS (LOSSES) PER SHARE (Euros)	Six months ended June 30, 2023	Six months ended December 31, 2023	Six months ended June 30, 2022 (1)	Six months ended December 31, 2022 (1)
EARNINGS (LOSSES) PER SHARE (Euros)	0.62	0.67	0.44	0.54
Basic earnings (losses) per share from continuing operations	0.62	0.67	0.44	0.54
Diluted earnings (losses) per share from continuing operations	0.62	0.67	0.44	0.54
Basic earnings (losses) per share from discontinued operations	—	—	—	—
Diluted earnings (losses) per share from discontinued operations	—	—	—	—

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

APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)

	2023	2022 (1)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**49,213**	**52,973**
FINANCIAL ASSETS HELD FOR TRADING	**116,828**	**91,391**
Derivatives	32,937	35,023
Equity instruments	3,339	3,361
Debt securities	11,018	11,318
Loans and advances to central banks	2,808	1,632
Loans and advances to credit institutions	52,441	23,969
Loans and advances to customers	14,285	16,089
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**730**	**546**
Equity instruments	507	438
Debt securities	223	107
Loans and advances to central banks	—	—
Loans and advances to credit institutions	—	—
Loans and advances to customers	—	—
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**—**	**—**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**19,426**	**24,854**
Equity instruments	1,019	977
Debt securities	18,407	23,877
FINANCIAL ASSETS AT AMORTIZED COST	**261,765**	**246,950**
Debt securities	34,905	25,313
Loans and advances to central banks	—	10
Loans and advances to credit institutions	13,074	9,329
Loans and advances to customers	213,786	212,297
DERIVATIVES - HEDGE ACCOUNTING	**780**	**1,169**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**(97)**	**(148)**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**23,019**	**21,960**
Subsidiaries	22,637	21,644
Joint ventures	24	36
Associates	358	280
TANGIBLE ASSETS	**3,373**	**3,531**
Properties, plant and equipment	3,285	3,432
For own use	*3,285*	*3,432*
Other assets leased out under an operating lease	*—*	*—*
Investment properties	87	99
INTANGIBLE ASSETS	**894**	**855**
Goodwill	—	—
Other intangible assets	894	855
TAX ASSETS	**12,416**	**12,479**
Current tax assets	2,145	1,629
Deferred tax assets	10,271	10,850
OTHER ASSETS	**2,023**	**1,677**
Insurance contracts linked to pensions	1,321	1,337
Inventories	132	—
Other	569	340
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**512**	**651**
TOTAL ASSETS	**490,883**	**458,888**

(1) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Millions of Euros)	2023	2022 (1)
FINANCIAL LIABILITIES HELD FOR TRADING	**108,349**	**80,853**
Derivatives	28,615	30,954
Short positions	11,849	11,408
Deposits from central banks	4,698	2,161
Deposits from credit institutions	42,710	28,107
Customer deposits	20,476	8,224
Debt certificates	—	—
Other financial liabilities	—	—
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,361**	**1,859**
Deposits from central banks	—	—
Deposits from credit institutions	—	—
Customer deposits	2,361	1,859
Debt certificates	—	—
Other financial liabilities	—	—
Subordinated liabilities	*—*	*—*
FINANCIAL LIABILITIES AT AMORTIZED COST	**339,476**	**335,941**
Deposits from central banks	10,962	32,517
Deposits from credit institutions	33,563	20,200
Customer deposits	234,754	234,797
Debt certificates	50,132	38,511
Other financial liabilities	10,065	9,915
Memorandum item: Subordinated liabilities	*11,741*	*9,106*
DERIVATIVES - HEDGE ACCOUNTING	**2,075**	**2,599**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**—**	**—**
PROVISIONS	**3,131**	**3,385**
Pensions and other post-employment defined benefit obligations	1,871	2,085
Other long term employee benefits	404	433
Provisions for taxes and other legal contingencies	396	388
Commitments and guarantees given	240	280
Other provisions	221	198
TAX LIABILITIES	**992**	**943**
Current tax liabilities	197	190
Deferred tax liabilities	795	753
OTHER LIABILITIES	**2,808**	**2,552**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**—**	**—**
TOTAL LIABILITIES	**459,192**	**428,133**

(1) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	2023	2022 (1)
STOCKHOLDERS' FUNDS	**33,134**	**32,928**
Capital	**2,861**	**2,955**
Paid up capital	2,861	2,955
Unpaid capital which has been called up	—	—
Share premium	**19,769**	**20,856**
Equity instruments issued other than capital	**—**	**—**
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	**40**	**49**
Retained earnings	**7,416**	**5,453**
Revaluation reserves	**—**	**—**
Other reserves	**(804)**	**(474)**
Less: treasury shares	**(3)**	**(3)**
Profit or loss attributable to owners of the parent	**4,807**	**4,816**
Less: interim dividends	**(952)**	**(724)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(1,443)**	**(2,172)**
Items that will not be reclassified to profit or loss	**(1,212)**	**(1,215)**
Actuarial gains (losses) on defined benefit pension plans	(54)	(32)
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	(1,213)	(1,256)
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	55	72
Items that may be reclassified to profit or loss	**(230)**	**(957)**
Hedge of net investments in foreign operations (effective portion)	—	—
Foreign currency translation	—	—
Hedging derivatives. Cash flow hedges (effective portion)	45	(492)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(275)	(464)
Hedging instruments (non-designated items)	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	**31,691**	**30,756**
TOTAL EQUITY AND TOTAL LIABILITIES	**490,883**	**458,888**

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)	2023	2022 (1)
Loan commitments given	98,667	95,948
Financial guarantees given	18,784	16,305
Other commitments given	30,013	26,850

(1) Presented for comparison purposes only.

INCOME STATEMENTS (Millions of Euros)

	2023	2022 (1)
Interest income	14,569	5,903
Financial assets at fair value through other comprehensive income	399	498
Financial assets at amortized cost	11,653	5,416
Other interest income	2,517	(11)
Interest expense	(9,005)	(2,083)
NET INTEREST INCOME	**5,564**	**3,821**
Dividend income	3,483	3,470
Fee and commission income	2,689	2,612
Fee and commission expense	(613)	(489)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	24	1
Financial assets at amortized cost	—	—
Other financial assets and liabilities	24	1
Gains or (losses) on financial assets and liabilities held for trading, net	(12)	438
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other profit or loss	(12)	438
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	200	(51)
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other profit or loss	200	(51)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	16	128
Gains (losses) from hedge accounting, net	(6)	—
Exchange differences, net	23	(122)
Other operating income	455	339
Other operating expense	(804)	(642)
GROSS INCOME	**11,020**	**9,503**
Administrative expense	(4,157)	(3,755)
Personnel expense	(2,425)	(2,217)
Other administrative expense	(1,733)	(1,538)
Depreciation and amortization	(651)	(638)
Provisions or reversal of provisions	(116)	(50)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(677)	(521)
Financial assets measured at amortized cost	(682)	(504)
Financial assets at fair value through other comprehensive income	6	(16)
NET OPERATING INCOME	**5,419**	**4,539**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	118	642
Impairment or reversal of impairment on non-financial assets	5	7
Tangible assets	17	21
Intangible assets	(12)	(15)
Other assets	—	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	2	(26)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**5,547**	**5,163**
Tax expense or income related to profit or loss from continuing operations	(740)	(347)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**4,807**	**4,816**
Profit (loss) after tax from discontinued operations	—	—
PROFIT (LOSS) FOR THE YEAR	**4,807**	**4,816**

(1) Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	2023	2022 (1)
PROFIT RECOGNIZED IN INCOME STATEMENT	**4,807**	**4,816**
OTHER RECOGNIZED INCOME (EXPENSE)	**730**	**(713)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**3**	**(40)**
Actuarial gains (losses) from defined benefit pension plans	(24)	32
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	43	(129)
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	(24)	100
Other valuation adjustments	—	—
Income tax related to items not subject to reclassification to income statement	9	(43)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**727**	**(673)**
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]	**767**	**191**
Valuation gains (losses) taken to equity	767	191
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	**271**	**(1,152)**
Valuation gains (losses) taken to equity	302	(1,148)
Transferred to profit or loss	(31)	(4)
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	**(311)**	**288**
TOTAL RECOGNIZED INCOME/EXPENSE	**5,537**	**4,102**

(1) Presented for comparison purposes only.

Statement of changes in equity for the year ended December 31, 2023 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2023	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, 2023	**2,955**	**20,856**	**—**	**49**	**5,453**	**—**	**(474)**	**(3)**	**4,816**	**(724)**	**(2,172)**	**30,756**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,807**	**—**	**730**	**5,537**
Other changes in equity	**(94)**	**(1,087)**	**—**	**(9)**	**1,963**	**—**	**(330)**	**—**	**(4,816)**	**(228)**	**—**	**(4,602)**
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	(94)	(1,087)	—	—	75	—	(316)	1,422	—	—	—	—
Dividend distribution	—	—	—	—	(1,860)	—	—	—	—	(952)	—	(2,812)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,000)	—	—	—	(2,000)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(12)	578	—	—	—	566
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	2	4,092	—	(2)	—	(4,816)	724	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(30)	—	—	—	—	—	—	—	(30)
Other increases or (-) decreases in equity	—	—	—	19	(345)	—	—	—	—	—	—	(325)
Balances as of December 31, 2023	**2,861**	**19,769**	**—**	**40**	**7,416**	**—**	**(804)**	**(3)**	**4,807**	**(952)**	**(1,443)**	**31,691**

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 (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, 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	—	—	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	(1,467)	—	—	—	—	(724)	—	(2,190)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,879)	—	—	—	(2,879)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(6)	291	—	—	—	285
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	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**

(1) Presented for comparison purposes only.

CASH FLOWS STATEMENTS (Millions of Euros)	2023	2022 (1)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	**(1,809)**	**23,057**
1.Profit (loss) for the year	**4,807**	**4,816**
2.Adjustments to obtain the cash flow from operating activities:	**1,766**	**(629)**
Depreciation and amortization	651	638
Other adjustments	1,115	(1,268)
3.Net increase/decrease in operating assets	**(35,004)**	**696**
Financial assets held for trading	(25,437)	13,999
Non-trading financial assets mandatorily at fair value through profit or loss	(184)	(109)
Other financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	5,428	3,351
Financial assets at amortized cost	(14,875)	(15,757)
Other operating assets	65	(788)
4.Net increase/decrease in operating liabilities	**27,697**	**18,825**
Financial liabilities held for trading	27,495	2,995
Other financial liabilities designated at fair value through profit or loss	501	(379)
Financial liabilities at amortized cost	506	15,480
Other operating liabilities	(805)	729
5.Collection/payments for income tax	**(1,076)**	**(651)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**(140)**	**(2,753)**
1.Investment	**(906)**	**(3,937)**
Tangible assets	(77)	(60)
Intangible assets	(382)	(360)
Investments in subsidiaries, joint ventures and associates	(447)	(3,516)
Other business units	—	—
Non-current assets and disposal groups classified as held for sale and associated liabilities	—	—
Other settlements related to investing activities	—	—
2.Divestments	**765**	**1,184**
Tangible assets	2	6
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	557	852
Other business units	—	—
Non-current assets classified as held for sale and associated liabilities	207	326
Other collections related to investing activities	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(1,986)**	**(5,921)**
1. Payments	**(6,307)**	**(6,190)**
Dividends (shareholders remuneration)	(2,812)	(2,190)
Subordinated liabilities	(1,495)	(881)
Treasury share amortization	(94)	(313)
Treasury share acquisition	(1,906)	(2,567)
Other items relating to financing activities	—	(240)
2. Collections	**4,321**	**270**
Subordinated liabilities	3,679	—
Common stock increase	—	—
Treasury share disposal	536	270
Other items relating to financing activities	106	—
D) EFFECT OF EXCHANGE RATE CHANGES	**175**	**(231)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**(3,760)**	**14,153**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**52,973**	**38,821**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**49,213**	**52,973**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)	2023	2022 (1)
Cash	990	972
Balance of cash equivalent in central banks	45,653	49,854
Other financial assets	2,570	2,147
Less: Bank overdraft refundable on demand	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**49,213**	**52,973**

(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, 2023.

APPENDIX X. 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, 2023, 2022 and 2021 is as follows:

December 2023 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	50	31	24	7	5	—	(6)
Other financial corporations and individual entrepreneurs (financial business)	292	17	24	11	5	3	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	79,943	3,870	10,602	2,395	1,053	264	(2,422)
Of which: financing the construction and property (including land)	*703*	*420*	*717*	*269*	*125*	*10*	*(428)*
Other households [(1)]	242,532	1,390	63,320	4,642	3,380	20	(1,677)
Total	**322,817**	**5,308**	**73,970**	**7,055**	**4,443**	**287**	**(4,111)**
	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	25	14	4	2	1	—	(4)
Other financial corporations and individual entrepreneurs (financial business)	206	5	17	4	1	2	(4)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	59,133	2,409	6,483	1,323	473	56	(2,070)
Of which: financing the construction and property (including land)	*491*	*417*	*540*	*196*	*66*	*8*	*(417)*
Other households [(1)]	158,595	900	36,108	3,001	1,957	4	(1,519)
Total	**217,959**	**3,329**	**42,612**	**4,330**	**2,432**	**62**	**(3,597)**

(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 2022 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	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				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	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				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	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				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	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.

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, 2023, 2022 and 2021:

Forbearance operations. Breakdown by segments (Millions of Euros)	2023	2022	2021
Credit institutions	—	—	—
Central governments	32	39	74
Other financial corporations and individual entrepreneurs (financial activity)	22	9	26
Non-financial corporations and individual entrepreneurs (non-financial activity)	3,843	5,371	6,946
Of which: Financing the construction and property development (including land)	*261*	*365*	*128*
Households	4,354	4,780	6,068
Total carrying amount	**8,251**	**10,200**	**13,114**
Financing classified as non-current assets and disposal groups held for sale	—	—	—

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, 2023 and December 31, 2022, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

NPL ratio by type of renegotiated loan

	Ratio of impaired loans - past due	
	2023	**2022**
General governments	42 %	61 %
Commercial	60 %	54 %
Of which: Construction and developer	*89 %*	*86 %*
Other consumer	65 %	53 %

b. Qualitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

December 2023 (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	23,025	271	7,104	1,137	2,911	429	2,369	527
Other financial institutions and individual entrepreneurs	23,086	525	13,315	182	378	68	9,304	3,909
Non-financial institutions and individual entrepreneurs	183,279	24,472	10,791	11,930	7,260	4,556	4,230	7,287
Construction and property development	5,788	4,064	248	1,662	1,192	768	239	451
Construction of civil works	5,173	554	382	231	191	87	37	390
Other purposes	172,318	19,854	10,160	10,037	5,877	3,701	3,954	6,446
Large companies	111,122	7,360	5,744	4,092	2,071	1,479	1,882	3,579
SMEs [2] and individual entrepreneurs	61,196	12,494	4,416	5,944	3,806	2,222	2,072	2,867
Rest of households and NPISHs [3]	157,847	95,040	2,166	21,700	25,396	31,265	13,960	4,886
Housing	97,395	93,813	118	21,155	24,954	31,014	12,435	4,374
Consumption	56,520	475	1,879	230	291	137	1,423	273
Other purposes	3,933	753	169	315	152	114	102	239
TOTAL	**387,238**	**120,308**	**33,376**	**34,949**	**35,944**	**36,319**	**29,864**	**16,609**
MEMORANDUM ITEM:								
Forbearance operations [4]	*8,251*	*4,894*	*240*	*1,050*	*1,072*	*1,001*	*953*	*1,058*

(1) The amounts included in this table are net of loss allowances.
(2) Small and medium enterprises.
(3) Non-profit institutions serving households.
(4) Net of provisions.

December 2022 (Millions of Euros)

				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	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.

c. Information on the concentration of risk by activity and geographical areas

December 2023 (Millions of Euros)

	TOTAL (1)	Spain	Rest of European Union	America	Other
Credit institutions	192,222	54,246	61,342	42,084	34,550
General governments	144,082	59,385	12,198	61,473	11,025
Central Administration	121,149	45,259	11,767	53,640	10,482
Other	22,933	14,125	431	7,833	543
Other financial institutions and individual entrepreneurs	54,064	9,564	18,279	18,097	8,124
Non-financial institutions and individual entrepreneurs	246,103	80,219	23,614	90,342	51,928
Construction and property development	9,256	2,888	640	2,573	3,156
Construction of civil works	9,524	5,988	885	1,558	1,093
Other purposes	227,323	71,344	22,089	86,211	47,679
Large companies	159,906	45,738	21,086	61,867	31,214
SMEs and individual entrepreneurs	67,417	25,606	1,003	24,344	16,464
Other households and NPISHs	158,344	88,561	2,477	58,686	8,620
Housing	97,395	70,073	1,302	24,899	1,120
Consumer	56,521	15,111	956	33,207	7,246
Other purposes	4,428	3,377	218	579	254
TOTAL	**794,814**	**291,975**	**117,910**	**270,682**	**114,247**

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

December 2022 (1) (Millions of Euros)

	TOTAL (2)	Spain	Rest of European Union	America	Other
Credit institutions	166,533	58,290	36,043	42,872	29,328
General governments	127,562	52,873	13,677	47,261	13,752
Central Administration	106,827	39,349	13,153	41,201	13,124
Other	20,736	13,524	524	6,060	628
Other financial institutions	49,608	9,884	16,254	15,090	8,380
Non-financial institutions and individual entrepreneurs	235,280	81,464	25,039	80,016	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	217,329	72,886	23,302	76,830	44,311
Large companies	154,798	45,864	22,686	54,975	31,274
SMEs and individual entrepreneurs	62,531	27,023	616	21,855	13,038
Other households and NPISHs	150,496	88,548	2,591	48,756	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	4,962	3,052	871	604	436
TOTAL	**729,480**	**291,059**	**93,603**	**233,994**	**110,823**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) 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.

This Appendix is an integral part of Note 7.2.7 of the consolidated financial statements for the year ended December 31, 2023.

APPENDIX XI. 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, 2023, 2022 and 2021: 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		
	2023	**2022 (1)**	**2021**
Spain	59,704	53,437	52,927
Italy	10,744	12,287	13,720
Turkey	9,284	9,934	5,868
Portugal	424	670	697
Germany	142	254	212
France	182	148	124
Netherlands	14	14	3
Romania	587	539	461
Rest of Europe	1,187	1,188	522
Subtotal Europe	**82,268**	**78,470**	**74,534**
Mexico	48,929	36,840	34,872
The United States	5,591	4,989	1,841
Colombia	3,540	2,657	2,676
Peru	1,526	1,108	805
Argentina	1,308	1,246	850
Venezuela	—	—	—
Rest of countries	1,782	3,726	5,871
Subtotal rest of countries	**62,676**	**50,566**	**46,915**
Total exposure to financial instruments	**144,945**	**129,036**	**121,449**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).

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, 2023 by type of financial instrument and the country of residence of the counterparty, under EBA requirements:

Sovereign Risk by European Union Countries. December 2023 (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	33,631	12,394	213	57	(14)	402	1,612	(1,316)	46,978	40 %
Italy	7,513	—	—	—	—	(256)	1,269	(1,014)	7,512	6 %
Portugal	(296)	36	792	16	—	—	—	—	548	— %
Germany	(1,045)	—	—	—	—	29	7	(1)	(1,010)	(1) %
France	(1,317)	24	16	—	(1)	240	239	(17)	(816)	(1) %
Netherlands	10	—	—	—	—	—	—	—	10	— %
Romania	587	—	—	—	—	—	—	—	587	1 %
Rest of European Union	361	86	—	7	(5)	272	263	—	984	1 %
Total Exposure to Sovereign Counterparties (European Union)	**39,444**	**12,539**	**1,021**	**80**	**(20)**	**688**	**3,390**	**(2,350)**	**54,793**	**47 %**
Mexico	28,990	7,856	1,785	9	(57)	—	20	(20)	38,583	33 %
The United States	5,404	—	13	16	(4)	—	—	—	5,430	5 %
Turkey	8,702	496	—	—	—	—	10	(10)	9,197	8 %
Rest of other countries	5,248	2,575	—	—	—	335	52	(54)	8,156	7 %
Total other countries	**48,344**	**10,927**	**1,797**	**25**	**(61)**	**335**	**81**	**(83)**	**61,366**	**53 %**
Total	**87,788**	**23,466**	**2,819**	**106**	**(81)**	**1,023**	**3,472**	**(2,433)**	**116,159**	**100 %**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of European Union countries of the Group's insurance companies (€9,696 million as of December 31, 2023) 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 2023.

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, 2023, 2022 and 2021 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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Financing to construction and real estate development (including land) (Business in Spain)	**2,105**	**1,861**	**2,123**	**482**	**350**	**455**	**(115)**	**(157)**	**(197)**
Of which: Impaired assets	*183*	*239*	*336*	*53*	*82*	*132*	*(98)*	*(122)*	*(142)*
Memorandum item:	—	—	—	—	—	—	—	—	—
Write-offs	2,097	2,086	2,155						
Memorandum item:	—	—	—	—	—	—	—	—	—
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	168,660	172,880	168,734						
Total consolidated assets (total business) (book value)	775,558	712,092	662,885						
Impairment and provisions for normal exposures	(4,752)	(4,622)	(4,610)						

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)

	2023	2022	2021
Without secured loan	**359**	**232**	**248**
With secured loan	**1,746**	**1,629**	**1,875**
Terminated buildings	857	898	1,172
Homes	685	710	936
Other	172	188	235
Buildings under construction	749	556	517
Homes	731	536	509
Other	18	21	8
Land	139	175	186
Urbanized land	92	119	124
Rest of land	47	56	62
Total	**2,105**	**1,861**	**2,123**

As of December 31, 2023, 2022 and 2021, 40.7%, 48.3% and 55.2%, of loans to developers were guaranteed with buildings (79.9%, 79.1% and 79.9% are homes), and only 6.6%, 9.4%, and 8.8% by land, of which 66.2%, 68.0%, and 66.6% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2023, 2022 and 2021:

Financial guarantees given (Millions of Euros)

	2023	2022	2021
Houses purchase loans	36	54	56
Without mortgage	3	3	3

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2023, 2022 and 2021 is as follows:

Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of Euros)

	Gross amount			*Of which: impaired loans*		
	2023	2022	2021	2023	2022	2021
Houses purchase loans	71,144	71,799	74,094	*3,267*	*2,486*	*2,748*
Without mortgage	*1,415*	*1,539*	*1,631*	*10*	*8*	*13*
With mortgage	*69,729*	*70,260*	*72,463*	*3,257*	*2,477*	*2,735*

The loan to value (LTV) ratio of the above portfolio is as follows:

LTV breakdown of mortgage to households for the purchase of a home (business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan to value-LTV)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
Gross amount December 31, 2023	17,201	20,302	22,850	5,856	3,519	69,729
Of which: Impaired loans	*307*	*464*	*642*	*617*	*1,227*	*3,257*
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*

Outstanding home mortgage loans as of December 31, 2023, 2022 and 2021 had an average LTV of 42%, 43% 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 (1) (2)			Provisions			Of which: Valuation adjustments on impaired assets, from the time of foreclosure			Carrying amount		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Real estate assets from loans to the construction and real estate development sectors in Spain	**398**	**539**	**654**	**(307)**	**(389)**	**(407)**	**(183)**	**(229)**	**(214)**	**92**	**150**	**247**
Terminated buildings	72	125	196	(44)	(72)	(94)	(24)	(38)	(44)	28	54	102
Homes	*31*	*49*	*87*	*(16)*	*(25)*	*(39)*	*(7)*	*(11)*	*(17)*	*15*	*24*	48
Other	*41*	*76*	*109*	*(28)*	*(47)*	*(55)*	*(17)*	*(27)*	*(27)*	*13*	*30*	54
Buildings under construction	8	21	23	(7)	(16)	(17)	(2)	(8)	(6)	1	5	6
Homes	*7*	*20*	*22*	*(6)*	*(15)*	*(16)*	*(2)*	*(7)*	*(6)*	*1*	*5*	6
Other	*1*	*1*	*1*	*(1)*	*(1)*	*(1)*	*(1)*	*—*	*—*	*—*	*—*	—
Land	318	393	435	(256)	(302)	(296)	(156)	(183)	(164)	62	91	139
Urbanized land	*299*	*366*	*406*	*(242)*	*(285)*	*(281)*	*(145)*	*(170)*	*(153)*	*57*	*81*	125
Rest of land	*19*	*27*	*29*	*(14)*	*(17)*	*(15)*	*(11)*	*(12)*	*(11)*	*5*	*10*	14
Real estate assets from mortgage financing for households for the purchase of a home	**544**	**736**	**970**	**(299)**	**(410)**	**(520)**	**(99)**	**(134)**	**(154)**	**245**	**327**	**450**
Rest of foreclosed real estate assets	**364**	**449**	**494**	**(231)**	**(270)**	**(264)**	**(76)**	**(80)**	**(62)**	**133**	**179**	**230**
Equity instruments, investments and financing to non-consolidated companies holding said assets (3)	**—**	**656**	**708**	**—**	**(397)**	**(449)**	**—**	**(358)**	**(410)**	**—**	**259**	**259**
Total	**1,306**	**2,381**	**2,826**	**(837)**	**(1,466)**	**(1,640)**	**(358)**	**(801)**	**(840)**	**469**	**915**	**1,186**

(1) Represents original loan value at the time of foreclosure.
(2) The value of real estate assets foreclosed or received in payment of debts should be initially recognized at the lower of the carrying amount of the financial assets and the fair value at the time of foreclosure less estimated sales costs. The gross value of the assets acquired in payment of debts is € 827 million and € 1,716 million as of December 31, 2023 and December 31, 2022, respectively.
(3) In 2023 stake in Metrovacesa, S.A. is excluded. Given its corporate purpose and the transformation and turnover of its assets, the assets of Metrovacesa, S.A. are not considered to come from foreclosures.

As of December 31, 2023, 2022 and 2021, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €398, €539 and €654 million, respectively, with an average coverage ratio of 77.0%, 72.2% and 62.2%, respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2023, 2022 and 2021, amounted to €544, €736 and €970 million, respectively, with an average coverage ratio of 55.0%, 55.6% and 53.6%.

As of December 31, 2023, 2022 and 2021, 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 €1,306, €1,725 and €2,118 million, respectively. The coverage ratio was 64.1%, 62.0% and 56.2%, respectively.

This Appendix is an integral part of Note 7 of the consolidated financial statements for the year ended December 31, 2023.

c. Concentration of risk by geographical areas

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, 2023, 2022 and 2021 it does not take into account loss allowances or loan-loss provisions:

Risks by geographical areas. December 2023 (Millions of Euros)

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Rest of business	Total
Derivatives	**3,688**	**17,106**	**2,017**	**7,487**	**51**	**2,956**	**987**	**34,293**
Equity instruments (1)	**1,424**	**2,999**	**6,418**	**2,399**	**76**	**206**	**246**	**13,768**
Debt securities (2)	**49,620**	**19,547**	**43,825**	**9,103**	**8,932**	**7,071**	**2,502**	**140,600**
Central banks	—	15	—	—	—	1,179	80	1,274
General governments	46,667	12,359	40,982	5,584	8,789	4,647	967	119,995
Credit institutions	2,154	3,017	1,914	123	16	323	459	8,005
Other financial corporations	442	2,065	334	1,223	2	680	222	4,967
Non-financial corporations	357	2,091	596	2,173	125	242	773	6,357
Loans and advances	**176,482**	**92,253**	**98,561**	**12,957**	**41,619**	**52,131**	**13,488**	**487,491**
Central banks	201	2,199	—	—	5,316	1,590	680	9,985
General governments	12,394	145	7,856	—	496	2,082	492	23,466
Credit institutions	7,141	53,077	5,759	636	1,428	2,391	3,691	74,122
Other financial corporations	2,961	15,190	2,529	1,690	1,264	1,891	724	26,250
Non-financial corporations	59,083	18,905	38,001	10,604	19,591	22,542	7,820	176,546
Households	94,703	2,737	44,415	27	13,525	21,634	81	177,121
Total risk in financial assets	**231,214**	**131,905**	**150,821**	**31,948**	**50,678**	**62,364**	**17,223**	**676,153**
Loan commitments given	34,931	42,914	24,811	17,773	20,883	9,600	1,956	152,868
Financial guarantees given	2,694	5,542	69	2,338	6,587	991	618	18,839
Other commitments given	17,187	8,191	2,812	3,135	5,057	2,991	3,205	42,577
Off-balance sheet exposures	**54,812**	**56,646**	**27,691**	**23,245**	**32,527**	**13,581**	**5,780**	**214,283**
Total risks in financial instruments	**286,026**	**188,551**	**178,512**	**55,193**	**83,205**	**75,946**	**23,002**	**890,436**

(1) Equity instruments are shown net of valuation adjustment.
(2) The debt securities of the "Financial assets at fair value through other comprehensive income" portfolio do not include gains/losses.

Risks by geographical areas. December 2022 (1) (Millions of Euros)

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Rest of business	Total
Derivatives	**5,222**	**20,494**	**1,824**	**7,679**	**128**	**3,493**	**1,068**	**39,908**
Equity instruments (2)	**1,342**	**3,068**	**5,012**	**2,026**	**145**	**225**	**294**	**12,113**
Debt securities (3)	**43,274**	**20,373**	**34,083**	**8,102**	**8,722**	**8,395**	**4,802**	**127,750**
Central banks	—	16	—	—	—	3,843	89	3,948
General governments	41,324	13,869	31,713	5,229	8,700	3,460	3,041	107,336
Credit institutions	1,162	2,470	1,351	117	14	268	443	5,824
Other financial corporations	434	1,712	304	1,032	3	567	215	4,266
Non-financial corporations	354	2,306	715	1,724	5	257	1,015	6,375
Loans and advances	**176,153**	**65,763**	**77,317**	**12,508**	**42,080**	**46,362**	**11,157**	**431,340**
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	32,294	10,325	21,678	21,559	8,008	171,613
Households	94,609	2,890	34,861	34	12,255	19,273	101	164,023
Total risk in financial assets	**225,990**	**109,698**	**118,236**	**30,316**	**51,074**	**58,475**	**17,322**	**611,111**
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	**280,285**	**164,610**	**141,445**	**49,098**	**72,149**	**73,689**	**22,403**	**803,678**

(1) Balances corresponding to 2022 have been restated according to IFRS 17 (see Notes 1.3 and 2.3).
(2) Equity instruments are shown net of valuation adjustment.
(3) The debt securities of the "Financial assets at fair value through other comprehensive income" portfolio do not include gains/losses.

Risks by geographical areas. December 2021 (Millions of Euros)

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Rest of business	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.

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, 2023, 2022 and 2021.

Impaired financial assets by geographical areas (Millions of Euros)

	2023	2022	2021
Spain	8,068	7,468	8,143
Rest of Europe	99	93	104
Mexico	2,472	1,939	1,921
South America	2,176	1,721	1,744
Turkey	1,631	2,272	2,746
Rest of business	—	—	—
IMPAIRED RISKS	**14,446**	**13,493**	**14,657**

This Appendix is an integral part of Note 7.2.8 of the consolidated financial statements for the year ended December 31, 2023.

APPENDIX XII 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, 2023 (Millions of Euros)

Country	CIT payments cash basis	CIT expense consol	PBT consol	Gross margin	Nº employees (1)	Activity	Main Entity
Germany	21	4	25	54	40	Banking services	BBVA, S.A. - Frankfurt Branch Office
Argentina	9	120	310	1,041	5,585	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Belgium	1	1	5	8	19	Banking services	BBVA, S.A. - Brussels Branch Office
Bolivia	3	1	2	12	109	Pensions	BBVA Previsión AFP S.A.
Brazil	1	—	1	3		Financial services	BBVA Brasil Banco de Investimento, S.A.
Chile	8	2	22	153	786	Financial services	Forum Servicios Financieros, S.A.
China	16	5	31	70	128	Banking services	BBVA, S.A. - Shanghai Branch Office; BBVA,S.A. - Hong-Kong Branch Office
Cyprus	3	4	18	19	111	Banking services	Garanti BBVA AS - Nicosia Branch Office
Colombia	281	23	159	968	6,762	Finance, banking and insurance services	BBVA Colombia S.A.
Curaçao	—	—	7	8	14	Finance and banking services	Banco Provincial Overseas N.V.
Spain	825	867	1,978	7,346	26,360	Finance, banking and insurance services	BBVA, S.A.
United States	68	53	228	184	401	Finance and banking services	BBVA, S.A. - New York Branch Office
France	27	17	79	110	73	Banking services	BBVA, S.A. - Paris Branch Office
Italy	50	32	95	122	65	Banking services	BBVA, S.A. - Milan Branch Office
Japan	—	—	(3)	(1)	6	Banking services	BBVA, S.A. - Tokio Branch Office
Malta	5	7	91	95	14	Banking services	Garanti BBVA AS - La Valeta Branch Office
Mexico	2,787	2,001	7,241	13,889	46,890	Finance, banking and insurance services	BBVA México, S.A.
Netherlands	26	37	139	188	226	Finance and banking services	Garantibank BBVA International N.V.
Peru	241	107	540	1,745	7,532	Finance and banking services	BBVA Banco Continental S.A.
Portugal	9	3	72	153	429	Finance and banking services	BBVA, S.A. - Portugal Branch Office
United Kingdom	19	23	99	194	154	Banking services	BBVA, S.A. - London Branch Office
Romania	12	6	34	120	1,197	Finance and banking services	Garanti Bank S.A.
Singapore	2	4	26	30	16	Banking services	BBVA, S.A. - Singapore Branch Office
Switzerland	7	2	9	49	123	Finance and banking services	BBVA Switzerland S.A.
Taiwan	—	—	13	12	12	Banking services	BBVA, S.A. - Taipei Branch Office
Turkey	732	649	1,046	2,559	20,452	Finance, banking and insurance services	Garanti BBVA A.S.
Uruguay	38	19	89	257	573	Finance and banking services	BBVA Uruguay S.A.
Venezuela	5	16	63	154	1,818	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Total	**5,196**	**4,003**	**12,419**	**29,542**	**119,895**		

(1) Full time employees. The 20 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, 2023, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 1.09%.

In 2023[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.

APPENDIX XIII. Condensed consolidated balance sheets at the IFRS 17 transition date and effective date and condensed consolidated income statement for the year ended December 31, 2022

Condensed consolidated balance sheet at the IFRS 17 transition date

ASSETS (Millions of Euros)	December 31, 2021 disclosed	IFRS 17 Impact	Opening balance as of January 1, 2022
Cash, cash balances at central banks and other demand deposits	67,799	—	67,799
Financial assets held for trading	123,493	—	123,493
Non-trading financial assets mandatorily at fair value through profit or loss	6,086	—	6,086
Financial assets designated at fair value through profit or loss	1,092	—	1,092
Financial assets at fair value through other comprehensive income	60,421	5,812	66,233
Financial assets at amortized cost	372,676	(6,054)	366,622
Derivatives - hedge accounting	1,805	—	1,805
Fair value changes of the hedged items in portfolio hedges of interest rate risk	5	—	5
Joint ventures and associates	900	—	900
Insurance and reinsurance assets	269	(45)	224
Tangible assets	7,298	—	7,298
Intangible assets	2,197	—	2,197
Tax assets	15,850	251	16,101
Other assets	1,934	(24)	1,910
Non-current assets and disposal groups classified as held for sale	1,061	—	1,061
TOTAL ASSETS	**662,885**	**(60)**	**662,825**

LIABILITIES AND EQUITY (Millions of Euros)	December 31, 2021 disclosed	IFRS 17 Impact	Opening balance as of January 1, 2022
Financial liabilities held for trading	91,135	—	91,135
Financial liabilities designated at fair value through profit or loss	9,683	—	9,683
Financial liabilities at amortized cost	487,893	592	488,485
Derivatives - hedge accounting	2,626	—	2,626
Liabilities under insurance and reinsurance contracts	10,865	(893)	9,972
Provisions	5,889	—	5,889
Tax liabilities	2,413	228	2,641
Other liabilities	3,621	25	3,646
Liabilities included in disposal groups classified as held for sale	—	—	—
TOTAL LIABILITIES	**614,125**	**(48)**	**614,077**
SHAREHOLDERS' FUNDS	**60,383**	**178**	**60,562**
Capital	3,267	—	3,267
Share premium	23,599	—	23,599
Other equity	60	—	60
Retained earnings	31,841	178	32,019
Other reserves	(1,857)	—	(1,857)
Less: Treasury shares	(647)	—	(647)
Profit or loss attributable to owners of the parent	4,653	—	4,653
Less: Interim dividends	(532)	—	(532)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(16,476)**	**(186)**	**(16,662)**
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**4,853**	**(5)**	**4,848**
TOTAL EQUITY	**48,760**	**(12)**	**48,748**
TOTAL EQUITY AND TOTAL LIABILITIES	**662,885**	**(60)**	**662,825**

Condensed consolidated income statements for the year ended December 31, 2022

INCOME STATEMENTS (Millions of Euros)

	December 31, 2022 disclosed	IFRS 17 Impact	December 31, 2022 restated (1)
NET INTEREST INCOME	**19,153**	**(30)**	**19,124**
Dividend income	123	—	123
Share of profit or loss of entities accounted for using the equity method	21	—	21
Fee and commission income	8,261	—	8,260
Fee and commission expense	(2,907)	19	(2,888)
Net trading income and exchange difference, net	1,938	—	1,938
Other operating income and expense	(2,910)	—	(2,910)
Income from insurance and reinsurance contracts	3,103	(481)	2,622
Expense from insurance and reinsurance contracts	(1,892)	345	(1,547)
GROSS INCOME	**24,890**	**(147)**	**24,743**
Administration costs	(9,432)	59	(9,373)
Depreciation and amortization	(1,328)	—	(1,328)
Provisions or reversal of provisions	(291)	—	(291)
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)
NET OPERATING INCOME	**10,460**	**(88)**	**10,372**
Impairment or reversal of impairment of investments in joint ventures and associates	42	—	42
Impairment or reversal of impairment on non-financial assets	(27)	—	(27)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(11)	—	(11)
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(108)	—	(108)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**10,356**	**(88)**	**10,268**
Tax expense or income related to profit or loss from continuing operations	(3,529)	24	(3,505)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**6,827**	**(64)**	**6,763**
Profit (loss) after tax from discontinued operations	—	—	—
PROFIT (LOSS)	**6,827**	**(64)**	**6,763**
ATTRIBUTABLE TO MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**407**	**(2)**	**405**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,420**	**(62)**	**6,358**

(1) The restated information contained in this Appendix XIII is presented only and exclusively for comparison purposes with the information published in 2022.

Condensed consolidated balance sheet at the IFRS 17 effective date

ASSETS (Millions of Euros)	December 31, 2022 disclosed	IFRS 17 Impact	December 31, 2022 restated [1]
Cash, cash balances at central banks and other demand deposits	79,756	—	79,756
Financial assets held for trading	110,671	—	110,671
Non-trading financial assets mandatorily at fair value through profit or loss	6,888	—	6,888
Financial assets designated at fair value through profit or loss	913	—	913
Financial assets at fair value through other comprehensive income	58,980	6,395	65,374
Financial assets at amortized cost	422,061	(7,639)	414,421
Derivatives - hedge accounting	1,891	—	1,891
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(148)	—	(148)
Joint ventures and associates	916	—	916
Insurance and reinsurance assets	210	(27)	183
Tangible assets	8,737	—	8,737
Intangible assets	2,156	—	2,156
Tax assets	16,472	253	16,725
Other assets	2,614	(29)	2,586
Non-current assets and disposal groups classified as held for sale	1,022	—	1,022
TOTAL ASSETS	**713,140**	**(1,048)**	**712,092**

LIABILITIES AND EQUITY (Millions of Euros)	December 31, 2022 disclosed	IFRS 17 Impact	December 31, 2022 restated [1]
Financial liabilities held for trading	95,611	—	95,611
Financial liabilities designated at fair value through profit or loss	10,580	—	10,580
Financial liabilities at amortized cost	528,629	543	529,172
Derivatives - hedge accounting	3,303	—	3,303
Liabilities under insurance and reinsurance contracts	11,848	(1,717)	10,131
Provisions	4,933	—	4,933
Tax liabilities	2,742	194	2,935
Other liabilities	4,880	29	4,909
Liabilities included in disposal groups classified as held for sale	—	—	—
TOTAL LIABILITIES	**662,526**	**(950)**	**661,575**
SHAREHOLDERS' FUNDS	**64,422**	**113**	**64,535**
Capital	2,955	—	2,955
Share premium	20,856	—	20,856
Other equity	63	—	63
Retained earnings	32,536	175	32,711
Other reserves	2,345	—	2,345
Less: Treasury shares	(29)	—	(29)
Profit or loss attributable to owners of the parent	6,420	(62)	6,358
Less: Interim dividends	(722)	—	(722)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(17,432)**	**(210)**	**(17,642)**
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**3,624**	**(1)**	**3,623**
TOTAL EQUITY	**50,615**	**(98)**	**50,517**
TOTAL EQUITY AND TOTAL LIABILITIES	**713,140**	**(1,048)**	**712,092**

(1) The restated information contained in this Appendix XIII is presented only and exclusively for comparison purposes with the information published in 2022.

Effect on redesignations of assets as of January 1, 2022

Effect on redesignations of assets (Millions of Euros)	December 31, 2021	Of which portfolio redesignations	Of which gains / losses	Opening balance as of January 1, 2022
Financial assets at amortized cost	**372,676**	**(5,549)**	**—**	**366,622**
Of which debt securities	34,781	(5,549)	—	29,231
Financial assets at fair value through other comprehensive income	**60,421**	**5,549**	**152**	**66,233**
Of which debt securities	59,074	5,549	152	64,774
Deferred tax assets/liabilities			**(46)**	
Accumulated other comprehensive income (loss)			**106**	

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Building Block Approach (BBA)	This is one of the three measurement models for the valuation of insurance and reinsurance contracts. This model is used by default and it applies to contracts with coverage periods of more than one year and not classified as contracts with direct participation, being mandatory except when the conditions to apply the other two methods are met: Variable Fee Approach or Premium Allocation Approach.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.
Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.
Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.
Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: a. Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b. Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c. Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
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: 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”).

IFRS (International Financial Reporting Standards)	For the purposes of these Financial Statements, "International Financial Reporting Standards" include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations (SIC interpretations/IFRIC interpretations), as may be developed or adopted by the International Accounting Standards Board (IASB, International Accounting Standard Board).
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 developed 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 (*stage* 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 cash equivalents. When preparing these financial statements the following definitions have been used: · Cash flows: Inflows and outflows of cash and cash equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the 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 interests.
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.

Disclaimer

This document is for informative purposes only and is not intended to provide financial advice and, therefore, does not constitute, nor should it be interpreted as, an offer to sell, exchange or acquire, or an invitation for offers to acquire securities issued by any of the aforementioned companies, or to contract any financial product. Any decision to purchase or invest in securities or contract any financial product must be made solely and exclusively on the basis of the information made available to such effects by the company in relation to each specific matter. The information contained in this document is subject to and should be read in conjunction with all other publicly available information of the issuer.

This document contains forward-looking statements that constitute or may constitute “forward-looking statements” (within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995) with respect to intentions, objectives, expectations or estimates as of the date hereof, including those relating to future targets of both a financial and non-financial nature (such as environmental, social or governance (“ESG”) performance targets).

Forward-looking statements may be identified by the fact that they do not refer to historical or current facts and include words such as “believe”, “expect”, “estimate”, “project”, “anticipate”, “duty”, “intend”, “likelihood”, “risk”, “VaR”, “purpose”, “commitment”, “goal”, “target” and similar expressions or variations of those expressions. They include, for example, statements regarding future growth rates or the achievement of future targets, including those relating to ESG performance.

The information contained in this document reflects our current expectations and targets, which are based on various assumptions and projections, including non-financial considerations such as those related to sustainability. Forward-looking statements are not guarantees of future results, and actual results may differ materially from those anticipated in the forward-looking statements as a result of certain risks, uncertainties and other factors. These factors include, but are not limited to, (1) market conditions, macroeconomic factors, domestic and international stock market movements, exchange rates, inflation and interest rates; (2) regulatory and oversight factors, political and governmental guidelines, social and demographic factors; (3) changes in the financial condition, creditworthiness or solvency of our clients, debtors or counterparties, such as changes in default rates, as well as changes in consumer spending, savings and investment behavior, and changes in our credit ratings; (4) competitive pressures and actions we take in response thereto; (5) performance of our IT, operations and control systems and our ability to adapt to technological changes; (6) climate change and the occurrence of natural or man-made disasters, such as an outbreak or escalation of hostilities; and (7) our ability to appropriately address any ESG expectations or obligations (related to our business, management, corporate governance, disclosure or otherwise), and the cost thereof. In the particular case of certain targets related to our ESG performance, such as, decarbonization targets or alignment of our portfolios, the achievement and progress towards such targets will depend to a large extent on the actions of third parties, such as clients, governments and other stakeholders, and may therefore be materially affected by such actions, or lack thereof, as well as by other exogenous factors that do not depend on BBVA (including, but not limited to, new technological developments, regulatory developments, military conflicts, the evolution of climate and energy crises, etc.). Therefore, these targets may be subject to future revisions.

The factors mentioned in the preceding paragraphs could cause actual future results to differ substantially from those set forth in the forecasts, intentions, objectives, targets or other forward-looking statements included in this document or in other past or future documents. Accordingly, results, including those related to ESG performance targets, among others, may differ materially from the statements contained in the forward-looking statements.

Recipients of this document are cautioned not to place undue reliance on such forward-looking statements.

Past performance or growth rates are not indicative of future performance, results or share price (including earnings per share). Nothing in this document should be construed as a forecast of results or future earnings.

This document contains in addition to financial information, non-financial information ("NFI") at the individual and consolidated level of BBVA Group in order to comply with the requirements of Law 11/2018 of 28 December ("Law 11/2018"). The INF has been verified with a limited scope by a third party and therefore has not been audited by the external auditors of the entity. In its preparation, a number of estimates and assumptions have been made in various areas and have used measurement, data collection and verification practices and methodologies, both external and internal, which are substantially different from those applied to financial reporting and which, in many cases, are under development.

BBVA does not intend, and undertakes no obligation, to update or revise the contents of this or any other document if there are any changes in the information contained therein, or including the forward-looking statements contained in any such document, as a result of events or circumstances after the date of such document or otherwise except as required by applicable law.

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, 2023

(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, 2023, 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, 2023 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.

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 377,643 million at December 31, 2023, net of valuation adjustments. Valuation adjustments included Euros 11,316 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 carried out by an Internal Validation Unit, and analyzes sensitivity to macroeconomic scenarios with a view to improving their predictive power on the basis of actual past experience.

Moreover, as described in note 7.2 of the accompanying consolidated financial statements, the Group may supplement temporarily the expected losses determined using the aforementioned models to account for the effects that may not be included in them, either by considering additional risk factors, or by the incorporation of sectorial particularities or particularities that may affect a set of operations or borrowers. In this sense, as of December 31, 2023, the supplementary adjustments pending allocation to specific operations or customers are not significant, after the utilization of most of them during 2023, either due to their application to the affected exposures, or due to having been incorporated into the recalibration process.

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 testing their operating effectiveness. We have further performed tests of detail on that estimate, to which end we involved our credit risk specialists. We have focused: *(i)* on evaluating the methodology applied by the Group to calculate expected losses, *(ii)* 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 *(iii)* the mathematical accuracy of the calculations.

Our procedures related to the assessment of the design and implementation of the relevant controls and testing of their operating effectiveness focused on the following areas:

- 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 the identification, calculation and allocation of additional adjustments to impairment losses identified in the general process and, where applicable, adaptation of the estimate accordingly.
- 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 tests 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 reviewed a sample of transactions to assess the correctness of their classification and the assumptions used by management to identify and quantify impairment losses on an individual basis, 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 the utilization during 2023 of the supplementary adjustments to the impairment losses identified during previous periods, as well as the need to record or not any additional adjustments as of December 31, 2023.

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, 2023, the Group had financial assets and financial liabilities recognized at fair value determined as the market price of a financial instrument. As disclosed in note 8 to the accompanying consolidated financial statements, 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 by management on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical valuations models. These financial assets and liabilities for which there is no available market price are classified, for valuation purposes, in level 2 and 3 of the fair value hierarchy as defined in note 8 to the accompanying consolidated financial statements.

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. These measurements are compared, as much as possible, against other sources such as the measurements obtained by the business teams and/or those obtained by other market participants.

In the absence of a quoted price in an active market, determining the fair value of financial instruments requires an estimate using mathematical valuations models which involves a high degree of judgment by management, either in determining the model and/or in estimating the hypotheses and parameters required by them. 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 available market price. 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 tested 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 testing of their operating effectiveness focused on the following areas:

- 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 market price available measured at fair value, we assessed the correctness of their classification for measurement purposes in the fair value hierarchy, the appropriateness of the valuation criteria applied and the reasonableness of their valuation either by contrasting this with a valuation performed independently by our specialists in valuation of financial instruments, in the case of derivatives and debt instruments, or by reviewing third-party valuation reports, in the case of unlisted equity instruments, contrasting the hypotheses used with those estimated independently by our valuation 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.

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 evaluating both the design and implementation and the operational effectiveness of the general controls of information technologies and automatic application controls. 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, implementation and effectiveness of the changes made by Management to strengthen access controls in the environment of certain applications, as well as testing compensating controls established by Management when necessary or other mitigating factors.

Other information: consolidated management report

Other information refers exclusively to the 2023 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 2023 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 2023 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 2023 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 9, 2024.

Term of engagement

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

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

(Signed in the original version in Spanish)

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

February 9, 2024