2. General information requirements

2.1. Corporate name and differences between the consolidated group for the purposes of solvency regulations and accounting criteria

2.1.1. Corporate name and scope of application

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).

Solvency regulations are applicable at a consolidated level for the whole Group.

2.1.2. Differences between the consolidated group for the purposes of solvency regulations and accounting criteria

The BBVA Group's Consolidated Financial Statements are presented in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31, 2022, considering the Bank of Spain Circular 4/2017, as well as its successive amendments, and with any other legislation governing financial reporting which is applicable and with the format and mark-up requirements established in the EU Delegated Regulation 2019/815 of the European Commission.

On the basis of accounting criteria, companies are considered to form part of a consolidated group when the parent entity holds or can hold, directly or indirectly, control of them. An institution is understood to control a subsidiary when it is exposed, or is entitled to, variable returns as a result of its involvement in the subsidiary and has the capacity to influence those returns through the power it exercises over the subsidiary. For control to exist, the following aspects must be fulfilled:

a. Power: An investor has power over a subsidiary when it has current rights that provide it with the capacity to direct its relevant activities, i.e. those that significantly affect the returns of the subsidiary.

b. Returns: An investor is exposed, or is entitled to variable returns, as a result of its involvement in the subsidiary when the returns obtained by the investor for such involvement may vary based on the economic performance of the subsidiary. Investor returns can be positive only, negative only, or positive and negative at the same time.

c. Relationship between power and returns: An investor has control over a subsidiary when it not only has power over the subsidiary and is exposed, or is entitled to, variable returns for its involvement in the subsidiary, but it also has the capacity to use its power to influence the returns it obtains due to its involvement in the subsidiary.

Therefore, in drawing up the Consolidated Financial Statements of BBVA Group, all dependent companies and consolidating structured entities have been consolidated by applying the full consolidation method.

Associated companies, as well as joint ventures (those over which joint control arrangements are in place), are valued using the equity method.

The list of all the companies forming part of the Group is included in the appendices to the Consolidated Financial Statements of BBVA Group.

For the purposes of solvency regulations, the following subsidiaries form part of the consolidated group, as defined in Article 18 of the CRR:

- Credit institutions
- Investment firms
- Financial Institutions

  A financial institution is a company, separate from other institutions (credit institution or investment firm), whose main activity may consist of acquiring holdings or performing one or more of the following activities:

  - Loans, including in particular consumer finance, credit agreements relating to immovable property, recourse and non-recourse factoring, and financing of commercial transactions (including forfaiting)
  - Financial leasing
  - Payment services

- Issuing and managing other payment channels (e.g. traveler's checks and bank checks)
- Granting of guarantees and commitments
- Trading on their own account or on behalf of customers on any of the following instruments:
  - Money market instruments (checks, bills, certificates of deposit etc.)
  - Foreign currency
  - Financial futures and options
  - Foreign-exchange or interest-rate instruments
  - Marketable securities
- Participating in the issuance of securities and the provision of corresponding services
- Advising companies with regard to capital structure, industrial strategy and related matters, as well as advice and services for mergers and acquisitions of companies
- Brokerage in the interbank markets
- Managing or advising on equity management
- Custody and administration of marketable securities
- Issuance of electronic money

  This definition includes financial holding companies, mixed financial holding companies, payment institutions and asset management firms, but excludes pure industrial holding companies, insurance companies, insurance holding companies and mixed insurance holding companies.

- Auxiliary services companies: A company whose main activity is holding or management of property, management of computing services or any other similar activity of an auxiliary nature with regard to the main activity of one or more institutions (credit institution or investment firm).

Therefore, for the purposes of calculating solvency requirements, and hence the drawing up of this Prudential Relevance Report, the scope of consolidating entities is different from the scope defined for the purposes of drawing up the Consolidated Financial Statements of BBVA Group.

The effect of the difference between the two regulations is mainly due to:

- Withdrawals from the balance made by entities (largely insurance companies regulated by the Solvency II regulatory framework) that are consolidated in the Consolidated Financial Statements of BBVA Group by the full consolidation method and consolidated for the purposes of solvency by applying the equity method.
- Entries to the balance contributed mainly by financial entities, consolidated by applying the equity method at the accounting level, but for the purposes of solvency, are proportionally integrated.

The list of entities that use different consolidation methods in their public and regulatory balance sheets is included in the table EU LI3 in Annex I.

2.1.3. Significant transactions in the Group in 2022

Announcement of the agreement with Neon Payments Limited

On February 14, 2022, BBVA announced the agreement with the company Neon Payments Limited (the "Company" in this section) for the subscription of 492,692 preference shares, representing approximately 21.7% of its share capital, through a share capital increase and in consideration of approximately USD 300 million (equal to approximately €263 million, using the applicable 1.14 EUR/USD exchange rate as of February 11, 2022).

The Company, which is incorporated and domiciled in the United Kingdom, is the owner of 100% of the shares of the Brazilian company Neon Pagamentos S.A.

As of February 14, 2022, BBVA was already the indirect owner of approximately 10.2% of the share capital of the Company through companies where BBVA owns more than 99% of the share capital. As of December 31, 2022, BBVA held, directly and indirectly, approximately 29.2% of the share capital of the Company. Despite owning more than 20% of the share capital, BBVA's ability to influence the Company´s financial and operating decisions policies is very limited, so the investment is recognized under the heading "Non-trading financial assets mandatorily at fair value through profit or loss" (see Note 11).

Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş (Garanti BBVA)

On November 15, 2021, BBVA announced a voluntary takeover bid (hereinafter "VTB") addressed to the 2,106,300,000 shares[1] not controlled by BBVA, which represented 50.15% of the total share capital of Türkiye Garanti Bankası A.Ş (hereinafter "Garanti BBVA"). BBVA submitted for authorization an application of the VTB to the supervisor of the securities markets in Turkey

[1] All references to “shares” or “share” shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

(Capital Markets Board, hereinafter "CMB") on November 18, 2021.

On March 31, 2022, CMB approved the offer information document and on the same day BBVA announced the commencement of the VTB acceptance period on April 4, 2022. On April 25, 2022 BBVA informed of an increase of the cash offer price per Garanti BBVA share from that initially announced (12.20 Turkish lira) to 15.00 Turkish lira.

On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA's share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390 million[2] including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired).

The percentage of total share capital of Garanti BBVA owned by BBVA (after the completion of the VTB on May 18) is 85.97%.

2.1.4. Reconciliation of the Public Balance Sheet from the accounting perimeter to the regulatory perimeter

The following table includes an exercise in transparency to show the reconciliation process between the book balances reported in the public balance sheet (attached to the Consolidated Financial Statements of BBVA Group) and the book balances this report uses (regulatory perimeter), revealing the main differences between both perimeters.

2 Using the effective exchange rate of 16.14 Turkish lira per euro.

Table 2. EU CC2 - Reconciliation of regulatory capital to balance sheet (Million Euros. 12-31-2022)

Public Balance Sheet Headings	Public Balance Sheet	Regulatory balance sheet	Reference to template EU CC1
Cash, cash balances at central banks and other demand deposits	79,756	79,992	
Financial assets held for trading	110,671	111,578	
Non-trading financial assets mandatorily at fair value through profit or loss	6,888	1,500	
Financial assets designated at fair value through profit or loss	913	—	
Financial assets at fair value through accumulated other comprehensive income	58,980	45,428	
Financial assets at amortised cost	422,061	414,000	
Derivatives - Hedge accounting	1,891	1,812	
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(148)	(148)	
Joint ventures and associates	916	3,436	
Insurance and reinsurance assets	210	—	
Tangible assets	8,737	8,205	
Intangible assets	2,156	2,125	g)
Tax assets	16,472	16,223	
Of which: deferred tax assets	*14,494*	*14,294*	*h)*
Other assets	2,614	3,815	
Non-current assets and disposal groups classified as held for sale	1,022	984	
Total Assets	**713,140**	**688,951**	
Financial liabilities held for trading	95,611	96,000	
Financial liabilities designated at fair value through profit or loss	10,580	3,288	
Financial liabilities at amortised cost	528,629	524,359	o) q)
Derivatives - Hedge accounting	3,303	3,069	
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—	
Liabilities under insurance and reinsurance contracts	11,848	—	
Provisions	4,933	4,588	
Tax liabilities	2,742	2,291	
Of which: deferred tax liabilities	*1,326*	*922*	
Other liabilities	4,880	4,864	
Non-current assets and disposal groups classified as held for sale	—	—	
Total liabilities	**662,526**	**638,459**	
Capital	2,955	2,955	a)
Share premium	20,856	20,856	a)
Equity instruments issued other than capital	—	—	
Other equity	63	63	c)
Retained earnings	32,536	31,436	b)
Revaluation reserves	—	—	
Other reserves	2,345	3,234	c)
Less: treasury shares	(29)	(29)	l)
Profit or loss attributable to owners of the parent	6,420	6,407	e)
Less: interim dividend	(722)	(722)	e)
Accumulated other comprehensive income (loss)	(17,432)	(17,248)	c)
Minority interests	3,624	3,541	
Total equity	**50,615**	**50,492**	
Total equity and total liabilities	**713,140**	**688,951**	

The main differences between the public balance sheet and the regulatory balance sheet are due to withdrawals from the balance generated by insurance, real estate and financial entities that are consolidated through the application of the equity method for the amount of €-25,359 million; and balance entries generated by entities that are consolidated using the proportional integration method for an amount of €+1,170 million.

The following table also shows the risk to which each of the items on the regulatory balance sheet is exposed:

Table 3. EU LI1 - Differences between the accounting and regulatory scopes of consolidation and the mapping of the financial statements categories with regulatory risk categories (Million Euros. 12-31-2022)

			Carrying values of items[1]				
	Carrying values as reported in published financial statements	**Carrying Values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the Securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash, cash balances at central banks and other demand deposits	79,756	79,992	79,589	*402*	—	—	—
Financial assets held for trading	110,671	111,578	23	83,607	—	111,555	—
Non-trading financial assets mandatorily at fair value through profit or loss	6,888	1,500	1,472	—	16	—	11
Financial assets designated at fair value through profit or loss	913	—	—	—	—	—	—
Financial assets at fair value through accumulated other comprehensive income	58,980	45,428	45,344	—	82	—	2
Financial assets at amortised cost	422,061	414,000	397,994	10,906	5,072	—	28
Derivatives - Hedge accounting	1,891	1,812	—	1,812	—	—	—
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(148)	(148)	—	—	—	—	(148)
Joint ventures and associates	916	3,436	3,325	—	—	—	111
Insurance and reinsurance assets	210	—	—	—	—	—	—
Tangible assets	8,737	8,205	8,205	—	—	—	—
Intangible assets	2,156	2,125	777	—	—	—	1,348
Tax assets[2]	16,472	16,223	15,166	—	—	—	1,057
Other assets[3]	2,614	3,815	2,477	—	—	—	1,338
Non-current assets and disposal groups classified as held for sale [4]	1,022	984	984	—	—	—	—
Total assets	**713,140**	**688,951**	**555,356**	**96,727**	**5,171**	**111,555**	**3,747**
Liabilities							
Financial liabilities held for trading	95,611	96,000	—	82,043	—	96,000	—
Financial liabilities designated at fair value through profit or loss	10,580	3,288	—	—	—	—	3,288
Financial liabilities at amortised cost	528,629	524,359	—	10,557	—	—	513,802
Derivatives - Hedge accounting	3,303	3,069	—	3,069	—	—	—
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—	—	—	—	—	—
Liabilities under insurance and reinsurance contracts	11,848	—	—	—	—	—	—
Provisions	4,933	4,588	770	—	—	—	3,818
Tax liabilities[2]	2,742	2,291	802	—	—	—	1,489
Other liabilities	4,880	4,864	—	—	—	—	4,864
Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	—
Total Liabilities	**662,526**	**638,459**	**1,572**	**95,669**	**—**	**96,000**	**527,261**

(1) For the purpose of the template, when a single item is associated with the capital requirements according to more than one risk framework, it is shown in all the columns corresponding to the capital requirements to which it is associated. As a result, the sum of the values of the columns by type of risk may be greater than the carrying value according to the scope of regulatory consolidation.

(2) Deferred tax assets that depend on future income, reduced by the amount of deferred tax liabilities (article 38 of the CRR) are € 3,389 million and have a risk weight of 250% in application of article 48 of the CRR. The remaining tax assets include deferred tax assets that do not depend on future income and current tax assets.

(3) Other assets include mainly an amount of €1,338 million relating to insurance contracts linked to pensions, which are not subject to capital requirements.

A summary table with the main sources of differences between the amount of exposures in regulatory terms (EAD) and the accounting balances according to the Financial Statements is below:

Table 4. EU LI2 - Main sources of the differences between regulatory original exposure amounts and carrying values in financial statements (Million Euros. 12-31-2022)

		Items subject to:			
	Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation	**768,809**	**555,356**	**96,727**	**5,171**	**111,555**
Liabilities carrying value amount under scope of regulatory consolidation	**193,241**	**1,572**	**95,669**	**—**	**96,000**
Total net amount under regulatory scope of consolidation	**575,568**	**553,784**	**1,058**	**5,171**	**15,555**
Amount of off-balance-sheet	198,317	192,948	5,369	—	
Differences in valuation[1]	(356)	—	—	—	(356)
Differences due to netting agreements (netting, long/short positions) [2]	115,648	—	115,648	—	
Differences due to accounting Provisions[3]	4,720	4,720	—	—	
Differences due to credit risk mitigation techniques (CRM)	(30,016)	(5,837)	(24,027)	(152)	
Differences due to credit conversion factors (CCF)	(113,515)	(113,515)	—	—	
Differences due to risk transfer securitisations	(854)	—	—	(854)	
Other[4]	13,792	3,374	10,418	—	
Exposure amounts considered for regulatory purposes	**763,304**	**635,474**	**108,467**	**4,164**	**15,200**

[1] It includes the deduction for prudent valuation adjustments. This deduction is included in row 7 of table EU CC1.

[2] This amount includes the reversal of the accounting netting of derivatives and repurchase agreements to include the netting adjustment applicable in prudential regulation; and the impact of the collateral adjustment on securities financing transactions.

[3] Includes provisions for exposures to credit risk under advanced approach that do not reduce the EAD.

[4] Includes, among others, derivatives counterparty credit risk.

As the table shows, the main sources of difference between the accounting value on the balance sheet and the amount of exposure for regulatory purposes are the inclusion of off-balance sheet items after the conversion factor, the different treatment of the guarantees eligible as risk mitigation techniques and the regulatory treatment of derivative and securities financing transactions (inclusion of netting rules other than those applied in accounting value and the inclusion of the potential future exposure).

2.2. Identification of dependent entities with bank capital below the minimum requirement. Possible impediments to transferring own funds

As of December 31, 2022, there are no entities in the Group with capital adequacy below their applicable minimum regulatory requirement.

The Group operates mainly in Spain, Mexico, Turkey and South America. The Group's banking subsidiaries around the world are subject to supervision and regulation (with respect to issues such as compliance with a minimum level of regulatory capital) by a number of regulatory bodies.

The obligation to comply with these capital requirements may affect the capacity of these banking subsidiaries to transfer funds (e.g. via dividends) to the parent company.

In some jurisdictions in which the Group operates, the regulations lay down that dividends may only be paid with the funds available by regulation for this purpose.

2.3. Exemptions from capital requirements at the individual or sub-consolidated level

In accordance with what is set out in the solvency regulations regarding the exemption from capital requirements compliance for Spanish credit institutions belonging to a consolidated group (at individual or sub-consolidated level) established in the aforementioned regulation, the Group obtained exemption from the supervisor on December 30, 2009 for the following companies (this exemption was ratified through ECB decision 1024/2013):

- Banco Industrial de Bilbao, S.A.
- Banco Occidental, S.A.

In addition, for Financiero de Crédito de Portugal (BBVA IFIC, S.A.), the ECB has decided not to apply prudential or liquidity requirements individually