Creating Opportunities

Annual Report
2021

Annual Report 2021

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BBVA
Creating Opportunities

I.
Letters from the Chair and the CEO

Letter from the Chair

Dear shareholders,

In 2021 the world started to emerge from the pandemic and found its way back to growth: around 6.0% compared to a 3.2% contraction in 2020. At BBVA we posted our best recurring profit of the past decade, €5.07 billion, nearly doubling the figure from 2020, and we ended the year with a solid CET1 capital ratio of 12.75% - well above the regulatory requirement and our target range of 11.5% to 12.0%.

Thanks to these results and our strong capital position, we have increased the distributions to our shareholders quite considerably. On the one hand, through a €3.5 billion share buyback program - one of the largest in Europe. And on the other, through our dividend policy, which we have increased to 40% to 50% of our profit. The corresponding payment for 2021 will be €0.31 per share - the highest cash dividend of the past ten years. Taking into account the share buyback program and dividends, this amounts to a total of €5.5 billion.

We expect the recovery to continue throughout 2022, although the uncertainties remain elevated, especially in the wake of the Russian invasion of Ukraine. We are following the events with great concern and unease - not so much for the very significant economic effects, but for the human tragedy that comes with war - something we thought we had long overcome in Europe.

In addition to its immediate impact, the invasion will have important long-term repercussions geopolitically and in the global economy, affecting the relationship between blocs and international trade.

This ill-fated historical interruption comes at a time of an unprecedented wave of disruption driven by innovation and sustainability. New technologies like artificial intelligence, cloud computing, blockchain technology, the internet of things and major advances in the genetics and robotics field, are transforming the economy and will have a huge impact on all sectors.

Our pioneering commitment to digitization over a decade ago is an enormous competitive advantage that continues to bear fruit. Today, nearly 40 million customers use their mobile phones to do their banking, and practically three-quarters of the Group's total sales take place on digital channels. Furthermore, in 2021, 40% of the nearly nine million new customers signed up using digital channels - this figure was just 4% five years ago.

Innovation and digitization offer extraordinary advantages for society as a whole, but we all need to do our part to ensure that no one is left behind in the process. We need to be especially careful with vulnerable groups and make sure that the undeniable benefits that digitization provides reach everyone.

Thanks to data and technology, we can help our customers make better decisions with their money thanks to financial health features that offer personalized and proactive advice. This is the reason that BBVA is the unquestionable leader in Europe for digital experience on mobile banking for the fifth consecutive year, according to Forrester Research.

Our strategy and digital capabilities also allow us to grow in new markets. Our investments in digital banks such as Atom Bank in the United Kingdom, Solarisbank in Europe, Neon in Brazil, and our recent launch of a fully digital bank in Italy are all good examples.

At BBVA, we believe in innovation as a driver of growth. We want to be the bank of the companies that are defining the future.

The other main pillar of our strategy is sustainability - an area in which we have also been pioneers. It represents a key driver of growth for the Group.

The decarbonization of the economy is perhaps the most significant disruption in history. We have 30 years for our society to function without greenhouse gas emissions- an enormous challenge that requires drastic changes in our habits and behaviors. It also requires colossal investments, which some estimates put at 8% of global GDP every year for the next 30 years. This represents a figure of around $275 trillion. For this reason, decarbonization, apart from a challenge, is also an important source of opportunities.

We want to help our clients in their transition toward a sustainable, greener and more inclusive future. With this goal in mind, we already offer a wide range of sustainable products. In recent years, we have launched green products for the purchase of homes with maximum energy efficiency, special financing for the purchase of electric and low emission hybrid vehicles, special loans for the installation of solar panels or financing for sustainable projects in the agricultural sector.

Since we launched our Pledge 2025 in 2018, we have made significant progress. In 2021, we raised sustainability to the highest executive level of the organization. We also channeled €86 billion in sustainable financing - €35.4 billion in 2021 alone. This was also the year we doubled our target of channeling €200 billion through 2025.

In 2021, we also made progress in aligning our loan portfolio with the Paris Agreement on climate change in order to be carbon neutral by 2050. Not only in direct emissions - which has been the case since 2020, but also in indirect emissions - those of the clients we finance.

Furthermore, we have launched the most ambitious social plan to date. Along with our Foundations, we will devote a total of €550 million to social initiatives through 2025, and grant over €7 billion in micro-loans through the BBVA Microfinance Foundation.

Because of all this and much more, BBVA holds the top position in the Dow Jones Sustainability Index's global banks ranking category, which is the world's benchmark index for sustainability.

Without a doubt, we had a great year in a complex environment, and we look to 2022, confident in our strengths. Thanks to our financial standing, leading franchises in attractive markets and cutting-edge strategy, we are in an unmatched position to meet the ambitious goals that we have set for 2024: 42% cost to income, 14% ROTE, 9% average annual growth in tangible book value per share plus dividends, 10 million new target customers and €200 billion in sustainable finance through 2025.

All because we have the best and most committed team, as the U.S. consulting firm Gallup recognizes positioning BBVA as one of the 30 most exceptional places to work in the world.

At BBVA, we want to be catalysts for change in order to create a more inclusive and sustainable society that leaves no one behind. Our contribution to communities where we have a presence is an essential part of this commitment. Everything we do is guided by our purpose: "to bring the age of opportunity to everyone."

In 2022, we will continue to accompany our customers, supporting families and businesses, to have a positive impact on society while strengthening our profitable growth, which will in turn be reflected in an attractive return to you, our shareholders.

Thank you very much for your trust and support.

Carlos Torres Vila

Letter from the Chief Executive Officer

Dear shareholders,

In a context of gradual recovery in the health and economic sectors, BBVA was able to produce excellent results - once again demonstrating the strength of its diversified business model.

In 2021, the BBVA Group's net attributable profit amounted to €5.07 billion, excluding non-recurring impacts. This is the highest figure in the last decade, thanks to excellent performance from recurring revenues and lower impairment on financial assets provisions. If non-recurring impacts are taken into account, (i.e. the result of discontinued operations and the net costs related to the restructuring process) net attributable profit was €4.64 billion.

Gross income, or total revenue, ended the year with double-digit year-on-year growth at constant exchange rates, (i.e. excluding the impact of the exchange rate) thanks mainly to strong performance from recurring revenues, which grew by 9.1%. This growth in recurring revenue was primarily due to greater business activity, which has been gaining momentum in all countries, leading to a 7% year-on-year increase in lending and a very positive impact on net interest income and net fees and commissions.

The strong performance of the operating income has allowed us to more than offset the increase in operating expenses, above the Group's average inflation, and improve the efficiency ratio, which stood at 45.2% at the end of 2021. This represents an improvement of 53 basis points compared to the ratio at the end of December 2020, at constant exchange rates, and we continue to lead in this metric among our European competitors. All this has led to a solid growth of 10.8% in the operating income, compared to last year, in constant terms.

At the bottom of the P&L account, the lower amount of impairments on financial assets and provisions stands out - a figure that was especially high in 2020 due to the outbreak of the pandemic. The normalization of the situation has resulted in risk indicators performing better than expected.

The cost of risk stood at 0.93% - a decline of 62 basis points from the end of 2020, and below pre-pandemic levels. The NPL ratio stood at 4.1%, 10 basis points below the figure recorded in December 2020. Finally, the NPL coverage ratio remained at high levels, ending the year at 75%.

For yet another year, our profitability metrics were ahead of our competitors. Excluding the one-off impacts from the year, i.e. the result of discontinued operations and the net costs related to the restructuring process, Return on Equity (ROE) stood at 11.4% and Return on Tangible Equity (ROTE) was 12%. We were also able to continue to create value for shareholders, with a tangible book value per share plus dividends of €6.66, which is 10.1% higher than a year ago.

In terms of capital adequacy, BBVA boasts an excellent capital position with a fully-loaded CET1 ratio of 12.75% - well above the regulatory requirement of 8.60% and the Group’s target range of 11.5% to 12%.

These results were possible thanks to BBVA's significant strengths, such as our leading franchises in attractive markets, our leadership in digitization and sustainability, and the best team.

These strengths also allowed us to make progress in our objectives of becoming a larger and more profitable bank, a distinctive bank for our clients, based on a unique value proposition, and continue leading efficiency through operational excellence.

With regard to the main business areas, I would like to highlight the following:

- In **Spain**, GDP experienced a significant recovery, which grew 5.1% according to BBVA Research estimates, after falling 10.8% in 2020. This led to greater momentum in activity, which increased by 1.7%, mainly due to solid performance in SMEs and consumer loans. Within this context, net attributable profit totaled €1.58 billion, up 143% from the previous year, thanks to the higher contribution from fees and commissions, net trading income (NTI) and lower impairment on financial assets and provisions. As a result, operating income grew by 14.5%, driven by net fees and commissions income, NTI and lower operating expenses. The cost of risk continued its downward trend, ending the year at 0.3%. The NPL ratio improved to 4.22% and the NPL coverage ratio ended the year at 62%, at high levels.

- In **Mexico**, economic growth slowed in the second half of 2021 after a strong expansion in the first half of the year, bringing the closing estimate for GDP growth to 5.3% in 2021 compared to a contraction of 8.5% in 2020. Lending grew by 5.1% over 2020 levels thanks to the performance of retail, especially mortgages, credit cards and SMEs. Within this context, the area's attributable profit was €2.57 billion, up 43%, at constant exchange rates. This is due to the strong performance of recurring revenues and lower impairment on financial assets provisions following the higher level of provisions in 2020 for COVID-19. As a result of the latter, the cost of risk fell to 2.67%.

- In **Turkey**, GDP boomed, growing up to 10.8%, according to BBVA Research estimates, bolstered by the strong rebound in the fourth quarter of the year. Lending increased by 39.7% between January and December 2021, driven by growth in local currency loans. Net attributable profit reached €740 million. Excluding currency fluctuations in the year, this is 71% more than the previous year in constant terms. Particularly noteworthy was the solid performance of all revenue lines, which led to gross margin growth of 25% and lower impairment on financial assets provisions following the higher level of provisions for COVID-19 in 2020. Consequently, the cumulative cost of risk decreased from 2.13% at the end of 2020 to 1.33% at the end of December 2021.

- In **South America**, the positive performance by the main countries (Argentina, Colombia and Peru) in activity is particularly noteworthy. The area's net attributable profit amounted to €491 million in 2021, up 23% in constant terms, thanks to the strong performance of recurring revenues and the improvement in credit quality, which has led to a significant reduction in the cost of risk.

None of this would have been possible without the efforts of the more than 110,000 people that make up BBVA, whom I would like to thank for their sustained commitment, and continued effort and contribution to these results, in what was still a complicated year for all of us.

And of course, my thanks also to you, the shareholders, for your ongoing trust and support, as it helps us make our purpose of bringing the age of opportunity to everyone a reality.

Onur Genç

Creating Opportunities

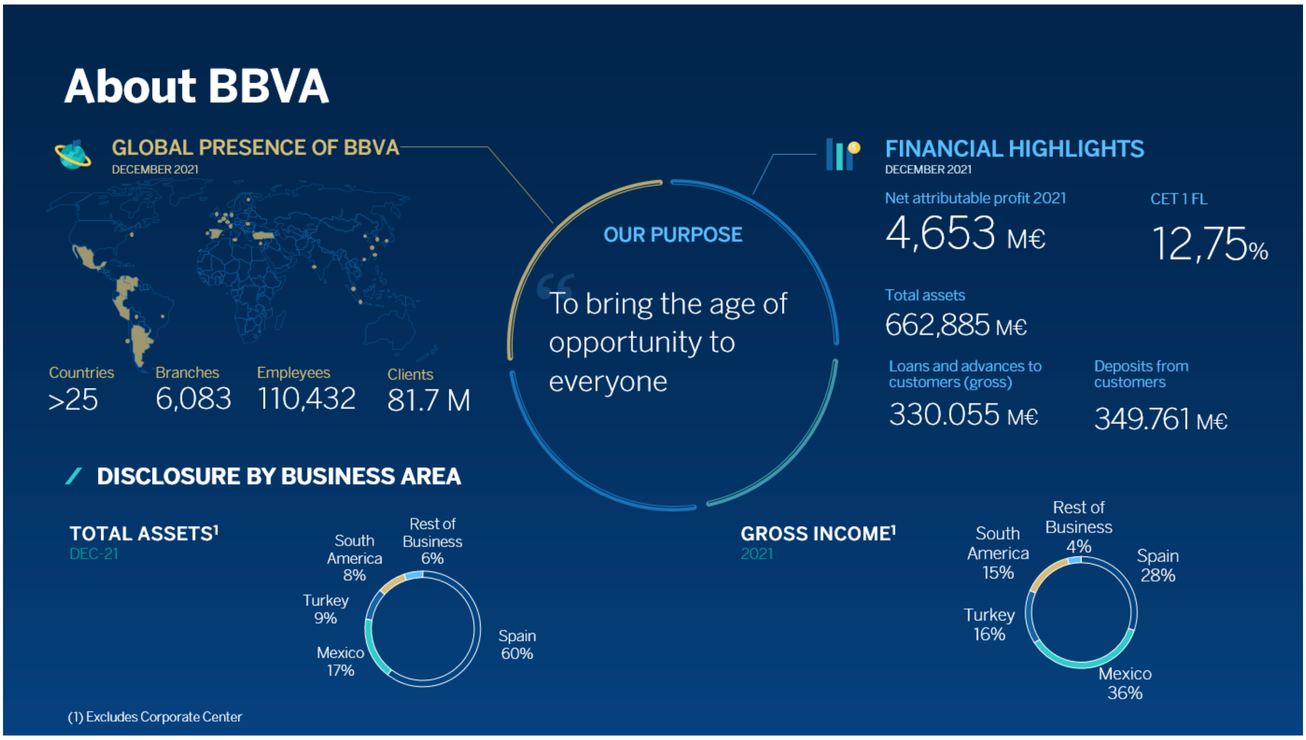
II. Management Report

Contents

1. BBVA in brief

1.1 Who we are

BBVA is a global financial group founded in 1857, with an extensive international presence and leading franchises in very attractive markets. It has a strong leadership position in the Spanish market, is the largest financial institution in Mexico, and has leading franchises in Turkey and South America.



In its over 160 years of history, BBVA has stood out for its commitment to innovation and leadership in the transformation of its industry. The Bank has been a pioneer and a model at global level in the digitalization of the sector. It has been recognized a leader in digital mobile banking experience in Europe for the fifth year in a row and has developed leading apps in practically all the geographies where it operates, leading to an increase in digital sales, now accounting for over 70% of the total.

Likewise, BBVA is a pioneer in its commitment to sustainability. In 2021, BBVA has obtained the highest score among World banks[1] in the Dow Jones Sustainability Index (DJSI), which measures the performance of the largest companies by market capitalization in economic, environmental and social matters. In 2018 it assumed the commitment to channel €100 billion to sustainable finance through 2025. This target has been doubled in 2021 to €200 billion. BBVA is also committed to be carbon neutral by 2050, for which it is managing its direct impacts and has set targets for a reduction in exposure of its loan portfolio in some of the most greenhouse-gas intensive sectors.

BBVA is guided by a clear purpose: "To bring the age of opportunity to everyone." BBVA wants to help people, families, entrepreneurs, the self-employed and businesspeople, employees and society in general to take advantage of the opportunities brought by innovation and technology. To do so, it has a committed team with a distinctive culture and way of thinking, and values that provide a boost to be better every day.

All this results in solid financial metrics, far above those of its peers in terms of efficiency and profitability. BBVA also stands out for its capacity to reassign capital efficiently, and its solid financial position to continue to invest in profitable growth of our business and increase shareholder remuneration.

[1] Shared ranking position

The Group's Organizational Chart

Chief Executive Officer
Onur Genç

Chairman
Carlos Torres Vila

Business Units

- **Corporate & Investment Banking** — Luisa Gómez Bravo
- **Client Solutions** — David Puente
- **Sustainability** — Javier Rodríguez Soler
- **Country Monitoring** (1) — Jorge Sáenz-Azcúnaga
- **Country Manager Spain** — Peio Belausteguigoitia
- **Country Manager Mexico** — Eduardo Osuna
- **Country Manager Turkey** — Recep Bastug

Global Functions

- **Finance** — Rafael Salinas
- **Global Risk Management** — Jaime Sáenz de Tejada

Transformation

- **Engineering** — José Luis Elechiguerra
- **Talent & Culture** — Carlos Casas
- **Data** — Ricardo Martín Manjón

Strategy

- **Strategy & M&A** — Victoria del Castillo
- **Communications** — Paul G. Tobin
- **Senior Advisor to the Chairman** — Juan Asúa

Legal and Control

- **Legal** — María Jesús Arribas
- **General Secretariat** — Domingo Armengol
- **Regulation & Internal Control** (2) — Ana Fernández Manrique
- **Internal Audit** (2) — Joaquín Gortari

(1) Reporting channel to CEO for Argentina, Colombia, Peru, Venezuela and Uruguay, as well as monitoring of all countries, including Spain, Mexico and Turkey.
(2) Reporting to the Board of Directors.

1.2 Highlights

JANUARY - DECEMBER 2021 RESULTS

The highest recurrent results in the past 10 years | Net Attributable Profil **€5,069** Mn

Strong **core revenue** growth

NII + Fee Income
(YTD)

+9.1%
vs.2020 (€ constant)

Leading **efficiency**

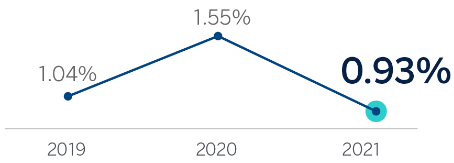
Efficiency Ratio
(YTD)

45.2% #1 RANKING PEER GROUP[1]

[1] European Peer Group: BARC, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, NWG, SAN, SG, UBS, UCG. Peers data as of 9M21. BBVA data as of 12M21.

Cost of Risk continues improvement

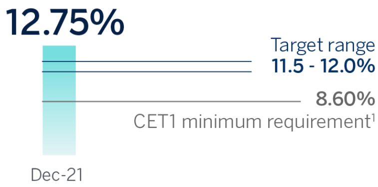
Cost of Risk
(YTD)



NOTE: Excludes the US business sold to PNC.

Strong **capital position**

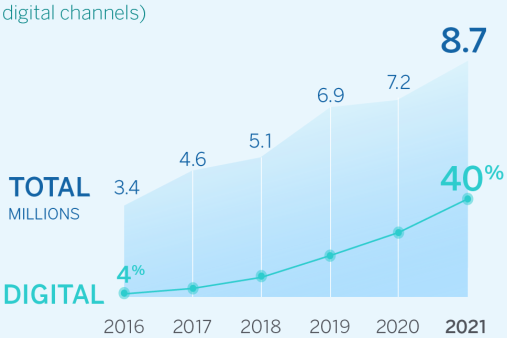
CET1 fully-loaded



1 CET 1 SREP letter requirement.

TRANSFORMATION

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



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

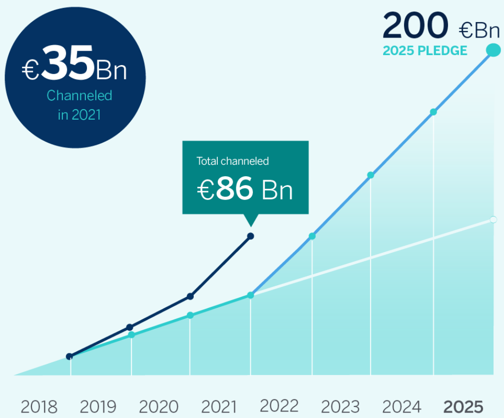
BBVA, an overall **digital experience leader five years in a row.**

BBVA DIGITAL EXPERIENCE LEADER 5 YEARS IN A ROW

FORRESTER
The Forrester Digital Experience Review™: European Mobile Banking Apps, Q3 2021

SUSTAINABILITY

Sustainable Financing (€Billion)



Community Commitment 2025 | **550 Mn€**

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

#1 BANK IN THE WORLD[1]

[1] Sharing the position in ranking.

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

This value proposition has led the Bank to break a historical record in attracting customers, which has stood at 8.7 million new customers in 2021. In addition, the development of its digital capabilities has meant that 40% of these new customers have accessed the Bank through this type of channel.

In 2021, the Group has continued to evolve its value proposition with the aim of continuing to develop global solutions around financial health. These advances have led it to be recognized as a leader in digital experience in Europe for the fifth consecutive year, according to the report 'The Forrester Digital Experience Review TM: European Mobile Banking Apps, Q3 2021'.

Likewise, BBVA makes it a priority to help its customers in their transition towards a more sustainable future. To do this, it incorporates sustainability into its day-to-day activities, not only in its relationship with clients, but also in its internal processes. In 2021 BBVA has created the Global Sustainability area, thus raising this priority to the highest executive level of the organization.

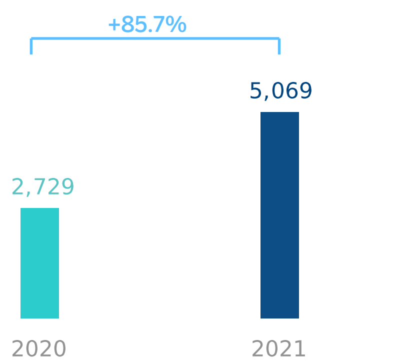
It is also important to note that BBVA has channeled €35.4 billion in 2021, making a total of €85.8 billion allocated to sustainable activities since 2018.

Results and other financial aspects

BBVA Group's results in 2021, excluding non-recurring impacts, were €5,069m, representing a year-on-year increase of 85.7%. It should be noted that in 2021, there was a positive non-recurring impact of €280m, corresponding to the profit generated by BBVA USA and the rest of companies included in the sale agreement to PNC until the closing date of the operation on June 1, 2021, and a negative non-recurring impact of €-696m of the net costs related to the restructuring process. Taking these impacts into account, the Group's net attributable profit amounted to €4,653m, which compares very positively with the €1,305m in the same period of the previous year, which included the capital gains of €304m from the implementation of the bancassurance agreement reached with Allianz, in addition to the result generated by BBVA USA in 2020.

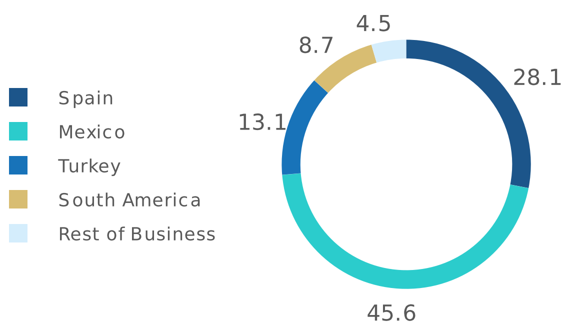
The Group's CET1 Fully-loaded ratio stood at 12.75% as of December 31, 2021, which is above the management target, located in the 11.5-12% range of CET1, amply covering the Group's capital requirements, even after the share buyback mentioned below.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS)



General note: excludes (I) BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021; (II) the net cost related to the restructuring process in 2021; and (III) the net capital gain from the bankassurance operation with Allianz in 2020.

NET ATTRIBUTABLE PROFIT BREAKDOWN (1) (PERCENTAGE. 2021)



(1) Excludes the Corporate Center.

In 2021, the Group modified the shareholder distribution policy of distributing between 35% and 40% of the consolidated ordinary profit of each year[2]. This policy will be implemented through the distribution of an interim dividend for the year and a final dividend, with the possibility of combining cash distributions with share buybacks. In this regard, the share buyback program was launched in 2021 and is described in the section "The BBVA share" in the chapter "Financial Information – Group" of this report.

In 2021, it is worth highlighting the removal of the United States as a business area, derived from the sale agreement reached with PNC and closed on June 1, 2021, once the pertinent mandatory authorizations were obtained. However, BBVA continues to have a presence in the United States, mainly through the wholesale business which the Group develops in the New York branch.

On the other hand, 2021 stands out for the announcement made on November 18, 2021, that BBVA Group submitted to the Capital Markets Board of Turkey the application for authorization of the voluntary takeover bid (hereinafter referred to as the Voluntary Takeover Bid) for the entire share capital of Garanti BBVA not already owned, once all relevant regulatory approvals have been obtained. Given the deadlines and the need to receive approval from all relevant regulatory bodies, BBVA estimates that the closing of the Voluntary Takeover Bid will take place in the first quarter of 2022.

[2] Excluding amounts and items of an extraordinary nature included in the consolidated profit and loss account.

2. Non-financial information report

Pursuant to the Commercial Code and the Capital Companies Law, the consolidated Non-financial information report includes, but is not limited to: the information needed to understand the performance, results, and position of the Group, and the impact of its activity on environmental, social, respect for human rights, and the fight against corruption and bribery matters, as well as employee matters.

Reporting of the non-financial key performance indicators included (KPI) in this consolidated non-financial information report is performed using the GRI (Global Reporting Initiative) guide as an international reporting framework in its exhaustive option as well as Communication from the Commission of July 5, 2017 on Guidelines on non-financial reporting (methodology for reporting non-financial information, 2017/C 215/01). For easier location of these indicators, the tables related to compliance with the requirements of Law 11/2018 and the GRI, with reference to each of the sections of this Non-financial information report where the information is disclosed, are included in the chapter "5.2 Compliance tables" of section "5. Other information".

The information included in the consolidated non-financial information report is verified by KPMG Auditores, S.L., in its capacity as independent provider of verification services.

Additionally, it should be noted that this consolidated "Non-financial information report" includes indicators that are in line with those required by other international standards, as detailed in the section "Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards" of the chapter "2.4 Additional information".

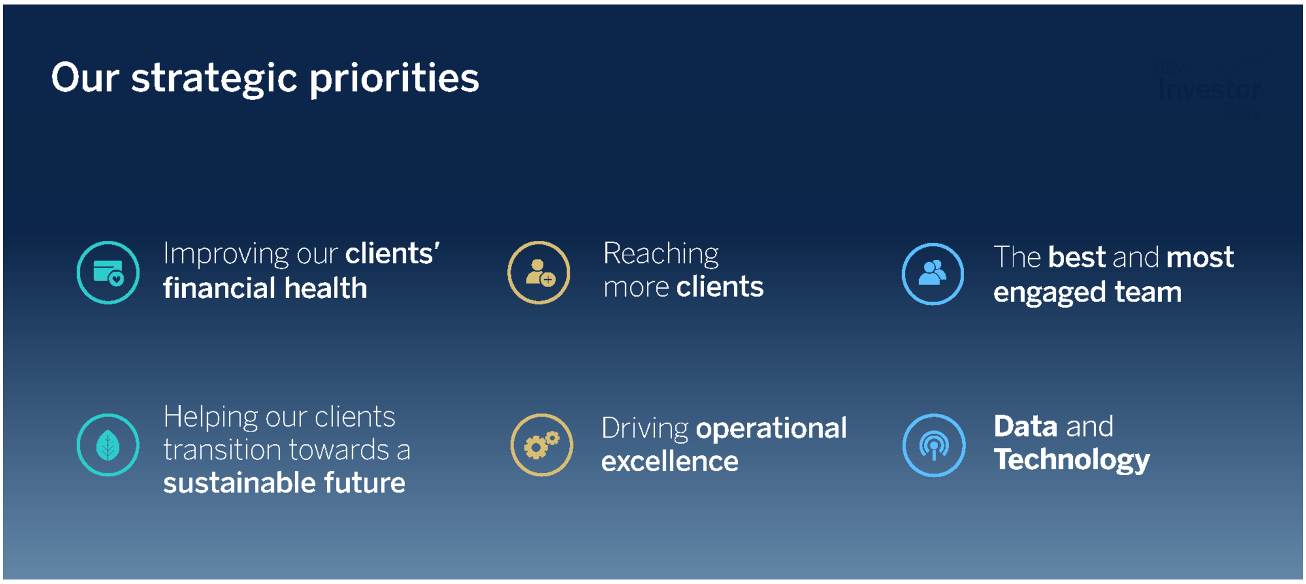
2.1 Strategy

2.1.1 Strategic priorities

At the end of 2019, BBVA approved its current strategic plan, which anticipated many of the main global trends that have been accelerated by the pandemic. These trends include the mass digitalization of all sectors and activities, boosted by the change in consumer habits. Beyond the use of digital and remote channels, there has been an unprecedented wave of disruptions encouraged by technology and data. It is an era of real opportunities supported by new technologies such as artificial intelligence, cloud processing, quantum computation, blockchain technology, etc., which are transforming the economy and will have a major impact on economic growth and productivity.

The decarbonization of the economy to limit the effects of climate change is the main and most important disruption of all. The challenge of achieving the net zero emissions target by 2050 requires a drastic modification of habits and behaviour, together with the deployment of non-carbon emission technologies in all sectors, not only energy. Unprecedented levels of innovation and investment are required to achieve this; according to some estimates[3], in the order of 5% of global GDP until approximately 2050.

The acceleration of these trends validates the strategy pursued by BBVA. It is a strategy based on a single purpose: "to bring the age of opportunity to everyone." Thanks to innovation and technology, the Bank provides access to products, advice and solutions that help customers make better decisions on their finances and achieve their life and business goals.



[3] OECD/The World Bank/UN Environment (2018), Financing Climate Futures: Rethinking Infrastructure, OECD Publishing, Paris

Guided by this purpose, BBVA's strategy is built around six strategic priorities:

1. Improving our clients' financial health

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

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

- First, by supporting them in the day-to-day management of their finances, helping them understand and be aware of their income and expenses, management of future needs, capacity to save, etc.
- Second, by advising them how to achieve their life and business goals in the medium and long term.

2. Helping our clients transition toward a sustainable future

BBVA wants to help its clients transition toward a more sustainable future with finance, advice and innovative solutions, with the focus primarily on two areas:

- Climate action: mobilizing the appropriate resources to manage the challenge of climate change.
- Inclusive growth: mobilizing the investments needed to build inclusive infrastructures and support inclusive economic development in an equitable way that leaves no one behind.

BBVA considers that the commitment to sustainability is not only a challenge that requires an urgent response, but also an important opportunity for business. The energy transition, in particular, will require major investments over the coming decades to replace fossil fuels with other cleaner and more efficient sources of energy. This will have an impact on practically all industries, and also on how people move, consume or arrange their homes.

3. Reaching more clients

Scale is increasingly critical in the banking business. BBVA aims to accelerate profitable growth, supporting itself through its own channels and where the customers are (in third-party channels), with a special focus on digital and more profitable segments.

In this respect, the focus of profitable growth for BBVA over the coming years will be activities such as payments, insurance, asset management, value segments such as SMEs and private banking, as well as the activities of Corporate and Investment Banking (CIB).

4. Driving operational excellence

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

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

This is without forgetting disciplined management of both financial and non-financial risks and optimized use of capital.

5. The best and most engaged team

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

6. Data and technology

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

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

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

To monitor progress in the execution of the strategic priorities, a set of strategic metrics or key performance indicators (KPIs) have been defined.

These indicators are linked to financial ones , such aso the net attributable profit, the tangible book value per share (TBV) or the efficiency ratio, as well as to non-financial ones, such as those referring to customer satisfaction (NPS), the channeling of sustainable finance or the digital sales.

These strategic KPIs are integrated into the different management processes of the Group, such as the planning and budget process, in the prioritization of resources and investments, as well as for the purposes of the variable remuneration system.

2.1.2 Our objectives

The goal of executing this strategy is:

- To be a larger and more profitable bank.
- To be a different bank that stands out for its outstanding value proposition.
- To continue to be the leader in efficiency.

In line with the strategic priorities and to monitor closely the level of progress in their execution, BBVA has defined ambitious financial and business targets over the coming years in terms of efficiency, profitability, creation of shareholder value, customer growth and the channeling of sustainable finance. These objectives were communicated on the Investor Day held on November 18, 2021.

Our ambitious **long-term goals**
2024

EFFICIENCY
42%
COST TO INCOME

PROFITABILITY
14%
ROTE

VALUE CREATION
9%
TBV/SHARE + DIVIDENDS
(2021-2024 CAGR)

NEW TARGET CUSTOMERS
+10Mn

SUSTAINABLE FINANCE
€200Bn
2018-2025

2.1.3 Main advances in the execution of the strategy

A larger scale and more profitable bank

BBVA looks to grow by being where the customers are. That is why the Group pays particular attention to attracting customers, whether through its own or third-party channels. The Group attracted 8.7 million new customers in 2021. As a result of the improvement in digital capacities, customer attraction through digital channels has increased steadily over recent years, and in 2021 reached an all-time high at over 3.5 million, accounting for 40% of all new customers.

Digital customers at the close of 2021 accounted for 69.4% of the total, at 41.8 million (up 37% from December 2019). Mobile customers have grown by 42% since December 2019 over the year to 39.7 million and account for 66% of the total. Digital sales now amount to 73% of the total units sold[4].

A key aspect to increasing scale and competitiveness is investment and innovation in new technologies and disruptive business models. The Group invests in the development of universal digital banking solutions to respond to the changing needs of customers, with a focus on new and attractive markets. For example, in 2021 the Group completed the launch of its 100% digital business in Italy. It is a milestone that BBVA has achieved with the support of the Bank’s infrastructure in Spain and its mobile app which is a leader in Europe.

To search for profitable growth, BBVA focuses on the acquisition of customers in the high-value and relevant vertical product segments, to boost the Group's results:

- Small and medium sized enterprises (SMEs)

In 2021, the income generated in the SME segment has provided 13% of gross income, making it a key segment for the Group. In 2021 the Group has worked to implement measures to improve remote capacity and boost this segment further. Specifically, it has extended its catalog, with a 100% digital product offering in all key products, and has made progress in the development of risk models, allowing it to make more proactive offerings to customers. At the close of 2021 around one out of every three BBVA customers received a proactive offer.

[4] Data excludes the United States, Paraguay, Chile and Venezuela.

– International corporate banking

BBVA Pivot was launched in 2021, renewing the offer of services for multinationals with a digital solution that facilitates the management of the daily activity of companies. This unique solution operates in 15 countries via a centralized system, allowing the activation of cash management services in all necessary markets and via the channel of choice for payments, collections, supply chain finance, unique account position, syndicated loans, settlement of expenses and cards, etc. The service operates for companies active in South America (Argentina, Peru, Colombia, Uruguay, Venezuela and Chile), Spain, Turkey, Belgium, France, Portugal and the United Kingdom, and also in Mexico, the United States and Hong Kong.

– Payments

BBVA wants to be a key partner for retailers, allowing them to sell more and more securely. This implies having payment solutions in the real world, but also with accessible and innovative e-commerce solutions. To do so, BBVA offers not only traditional payment products, but also high-value solutions at the point of sale (buy now, pay later or BNPL), and finance linked to revenues from the point-of-sale (POS) terminal.

In Mexico, BBVA has Openpay, the biggest cash payment processing platform in the country with the broadest cover. In addition, Openpay is available in Colombia and Peru, and will be soon in Argentina.

In the segment of individuals, BBVA has also made innovative products available to its customers. One example is the Aqua card, a more secure and smarter card, with no embossed numbers and a dynamic card verification value (CVV) that offers the highest level of security in online purchases.

– Insurance

BBVA has strengthened its capacities by reaching agreements with the main global insurance groups to enable its customers to receive modern products and services. In 2021 some alliances were strengthened in Spain and Peru and new agreements were reached in Argentina, Mexico and Colombia. The Group's aim is to have the best capacities in each geographical area for its customers.

– Private banking

BBVA offers its Private Banking customers personalized, comprehensive and increasingly global specialized advice with an innovative value offering, in which ESG factors play a very important role. As a result, in 2021 BBVA was named best private bank in the world in responsible investment by Global Finance. Moreover, in 2021 the Private banking unit in Spain was recognized as the best private bank in the world in digital customer service by PWM/Financial Times Group.

In addition, BBVA continues with its firm commitment to the entrepreneurial ecosystem by:

- Investments through risk capital vehicles such as Propel Venture Partners and Sinovation Ventures, which help position the Bank in new markets with potential for significant growth. Propel, with an independent management located in San Francisco, is a vehicle for investment and also a way of gaining knowledge of the fintech ecosystem. It has invested in over 40 companies, 6 of which have reached the status of unicorn and 2 of them (Coinbase and Docusign) have had successful stock market launches. Sinovation is a leading manager in China focused on developing the next generation of high-technology Chinese companies based on artificial intelligence.
- BBVA thus offers support to companies with high growth potential in innovative sectors related to new technologies in all markets in which it operates, with specific products, advice and finance to cover their needs across the whole life cycle.

A different bank that stands out for its differential value proposition

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

In fact, BBVA occupies the leading positions in the NPS[5], as reflected in its retention figures, which show a positive trend in the levels of customer drop-outs (retail and SMEs), and a greater commitment from digital customers, whose drop-out rate is 7.4% lower than that of non-digital customers.

As of December 31, 2021, BBVA was once more leader in the retail NPS indicator in Spain and Mexico. In Turkey, it ranks second, maintaining its position with respect to 2020. In Argentina the plans implemented in 2020 and driven by Senior Management have reversed the situation of the previous year and recovered customer perception and trust. In Colombia, Peru and Uruguay, it has lost its leadership, but plans have been implemented to recover it.

In 2021, BBVA has placed a special focus on helping small and medium-sized companies recover from the impact of the pandemic, with a close and personalized service model that has positioned BBVA as the leader in the segment in Mexico, Turkey, Colombia, Peru and Uruguay, as well as Spain second, improving its position.

Meanwhile, in the commercial NPS indicator BBVA maintained its leading position in two countries: Mexico and Peru, maintaining second position in Argentina and Colombia. In Spain, BBVA has dropped from second to third position.

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

At the cutting edge of digitalization

Digitalization has been one of the pillars of the BBVA strategy for more than a decade, and during this time its value proposition has evolved. Initially, the Group focused on improving customer service through digital channels to make self-service systems available which allow transactions to be carried out and contracts arranged in a simple and agile way with a single click. Later on, the Group focused on the development of the necessary capacities to increase digital sales and attract new customers through remote channels. The Bank now also aims to advise its customers via data and artificial intelligence, to ensure they make the best financial decisions. In 2021 BBVA has worked to continue developing global financial health solutions.

The scope of financial health is tackled from two angles: day-to-day control; and the achievement of medium- and long-term objectives:

1. First, supporting customers in their day-to-day financial concerns, helping them to have a greater understanding and awareness of their income and expenses, with solutions (such as classification and prediction of expenses, and even financial wealth) and proactive notifications in with respect to relevant events which, as far as possible, allow them to have greater control of their savings. A significant number of these solutions are already available in the BBVA geographical areas.
2. And second, by advising them how to achieve their medium- and long-term goals. People's needs change over time: from the purchase of a home to saving for your children's university or planning retirement, there are long-term objectives that require support until they are achieved. Giving the advice needed to achieve these objectives is also within the scope of financial health.

Help in day-to-day control is relevant for all customers, regardless of their income and expenses. Generic rules geared to control income and expenses or review debt levels are relevant bases for managing the day-to-day of all customers, who are always given personalized recommendations. According to the financial status of the customers, the advice on the customers' financial health is also personalized.

As well as offering a personalized experience, BBVA wishes to be a trusted partner for its customers by supporting them with a proactive experience. Its goal is for customers to have peace of mind, so when an important event occurs which impacts their finances, the Bank informs them automatically.

In addition, through proactive experiences (over 50 available at the end of 2021), customers receive simple proposals which allow them to solve or mitigate these challenges if possible: for example, to make a transfer from another account if a credit card payment is expected to lead to an overdraft in the main account.

All this has made the Bank a leader in digital experience in Europe for the fifth consecutive year, according to the recent report "The Forrester Digital Experience Review TM: European Mobile Banking Apps, Q3 2021." This report identifies the leaders in mobile banking functionality and user experience, and shares the best practices from which professionals can learn. BBVA is the only Spanish bank which is a leader in the digital mobile banking experience.

Pioneers in sustainability

BBVA incorporates sustainability as part of its daily activities and everything it does, not only in relations with customers but also in internal processes. In other words, the definition and execution of the strategy, which includes sustainability and climate change as one of its priorities, cuts across the whole organization.

In 2021 BBVA created the Global Sustainability area to boost its strategy, raising sustainability to the highest executive level in the Organization. The area reports to the Chief Executive Officer and the Group Executive Chairman on matters referring to the Group's sustainability strategy.

Sustainability represents a business opportunity and is a key lever for BBVA's growth. BBVA's unique offer of sustainable products, together with its capacity for advice, give the Group a competitive advantage over other entities.

In 2021, out of the total new origination of business at Group level, 12% of new businesses have been linked to sustainability. Between 2018 and 2021, BBVA channeled a total of €85,817m into sustainable activities[6]. Of these, around 20% were an incremental business for the Bank.

This represents 43% of the target for channeling initially set in its Commitment 2025, which BBVA has doubled in 2021 to €200 billion through 2025.

[6] As a benchmark for meeting its objectives under its Pledge 2025, BBVA uses the activities included in the section "Additional information on the Group's sustainability standards and frameworks" the Green Bond Principles and the Social Bond Principles, the Sustainability-Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles, Sustainability-Linked Loan Principles of the Loan Market Association and best market practices.

FUNDS MOBILIZED THROUGH THE 2025 PLEDGE (MILLIONS OF EUROS) (1)				
	2021 production	(%)	2020 production	(%)
Climate action	30,640	87	15,341	75
Inclusive growth	4,737	13	5,175	25
Total	**35,377**	**100**	**20,516**	**100**
Total 2025 Pledge (accumulated to 2021)	**85,817**	**43**	**50,440**	

(1) To the production of each financial year, the fixing exchange rate has been applied.

ASSETS UNDER MANAGEMENT WITH SOCIALLY RESPONSIBLE INVESTMENT (SRI) CRITERIA (BBVA ASSET MANAGEMENT. MILLIONS OF EUROS)		
	2021	2020
Total assets under management	**119,307**	**109,355**
SRI strategy applied		
Exclusion (1)	119,307	109,355
Vote (2)	111,160	72,376
Integration (3)	80,981	9,053

(1) The exclusion strategy applies to 100% of the assets under management.

(2) The vote strategy applies 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 geographical area.

(3) The integration strategy is applied in SRI pension plans and mutual funds of the Europe business.

Climate change

In 2021, BBVA has led the issuance of green, social, sustainable bonds and bonds linked to environmental indicators for clients in several countries, which have represented a total volume disintermediated by BBVA of €6,683m. In addition, BBVA has continued to be very active in the field of sustainable corporate loans and in the financing of sustainable projects.

In 2021, BBVA achieved its commitment in Spain of offering a sustainable alternative to all its products in the retail segment. Also in Spain, in 2021 BBVA became the first entity to use data analytics to calculate the carbon footprint of all its individual customers and companies, obtaining an approximate estimate of CO_2 emissions into the atmosphere based on gas and light bills and payments for fuel.

Inclusive growth

In 2021, BBVA mobilized €4.737m as financial inclusive growth, of which €2.868m were allocated to financing social infrastructure and €1,869m were dedicated to financial inclusion and entrepreneurship

Additionally, the Group has also strengthened its community engagement to support inclusive growth in countries where it operates, for which €550m will be allocated directly and through its support to foundations between 2021 and 2025. For more information about the commitment to the community, see the section "Community Commitment" in the chapter "Our stakeholders" in this report.

Alignment of activity to achieve net zero emissions in 2050

With respect to the alignment of its activity, BBVA has been neutral in net emissions from its direct activity since 2020 (on the management of direct impacts, see the section "Direct environmental impact management" of the chapter "Report on climate change and other environmental and social questions" in this report). The Bank has also pledged that its indirect activity, in other words through its loan and investment portfolio, will also be neutral in net greenhouse gas emissions by 2050. In April 2021, BBVA was one of the founding members of the Net-Zero Banking Alliance (NZBA).

To this end, in 2021 BBVA has continued to make progress in decarbonizing its portfolio. It has announced its intention of reducing its exposure to coal-related activities to zero, and stopping the finance of companies in these activities by 2030 in developed countries and by 2040 in the rest of the countries where it operates.

It has also set intermediate goals to decarbonize its portfolio in four emission-intensive industries, such as electricity generation, automotive, steel and cement: these sectors account for 60% of global emissions. To do so, the Bank will focus its efforts on supporting customers with finance, advice and innovative solutions in a joint effort of decarbonization. For more information, see the section "Identification, Measurement and Integration of climate change into risk management" in the "Report on climate change and other environmental issues" of this report.

A global benchmark

In 2021, BBVA has obtained the highest score (89 points) among world banks[7] in the DJSI, which measures the performance of the largest companies by market capitalization in economic, environmental and social matters. The Group has achieved the highest score (100 points) in the sections on financial inclusion, environmental and social information, development of human capital, materiality and tax strategy.

[7] Shared ranking position.

BBVA has also been included for the fourth consecutive year in the Bloomberg Gender Equality Index, which represents recognition of its commitment to create trusting work environments, where all employees' professional development and equal opportunities are guaranteed, regardless of their gender.

BBVA is a member of the main sustainability indices (see the section "Sustainability indices").

All this is recognition of BBVA's work over more than 20 years, with its active involvement in various supranational initiatives. BBVA seeks to continue leading the international agenda on inclusion and the fight against climate change by manifesting its commitment to a number of initiatives (see the section "Participation in international initiatives").

BBA is committed to transparency. That is why, together with this non-financial information, it publishes an annual TCFD (Task Force on Climate-Related Financial Disclosures) report following the recommendations of the Financial Stability Board (FSB), as well as additional disclosures on sustainability in line with two of the most advanced market standards: the expanded WEF-IBC metrics, and the Sustainability Accounting Standards Board (SASB) Mortgage Finance and Consumer Finance standards.

Continue to lead in efficiency

BBVA works to optimize its model of customer relations and acquisition, with the aim of reaching more customers at a reduced cost. The Group aims to make available to its clients a self-service model, and thus respond to changes in consumer habits, which are increasingly digital. This is demonstrated in the growth of 24% in digital transactions on the 2020 figure, while transactions in branches fell by 20%.

This new reality implies serving more customers and generating more growth, optimizing the cost structure, with a direct and positive impact on the productivity of networks and efficiency. In this way, in 2021 the ratio of customers to branches increased by 22% and sales per network employee increased by 25% on 2019. Moreover, the Agile methodology which has been steadily implemented in the Group over recent years enables the quick and efficient creation of improved products and services for our customers. By way of example, the functionalities made available to customers via the mobile app in Spain have tripled since 2016. Another example is that the number of days it takes a work team to design a functionality, from starting the design to implementation, has fallen by 50% in Mexico over the same period. This way of banking leads to more productive and more engaged teams.

Likewise, BBVA aims to lever globalization and develop more efficient products and solutions which provide answers to customer needs. To this end, the Group has focused in recent years on increasing the reuse of technological developments and digital solutions across countries. Two examples are the mobile app for retail customers in which it has reused 75% of the programming code; and the mobile app for companies, which has been developed in less than a year by reusing 80% of the components.

This focus on operational excellence has led us to consolidate our leading position in terms of efficiency for one more year. The efficiency ratio stood at 45.2% at the close of 2021 (53 basis points better than in 2020, in constant terms) while the average of our European competitors was 62% at the close of September 2021 (the latest data available).

Optimum capital allocation is another key component of operational excellence. Here, BBVA prioritizes capital allocation to the most profitable business opportunities. Moreover, the Bank has a model through which it allocates capital individually for each operation, and the allocation is linked to a system of dynamic pricing. Thus, for each loan granted by the Group, the transaction must exceed the minimum thresholds of previously determined capital return. This distinct way of banking, where the search for profitability is present in the transaction, has had an immediate effect on the Bank's figures. Specifically, the adjusted return on risk-weighted assets (RORWA) a the close of 2021 was 2.01%, 85 basis points above the level at the close of the previous year. For more information, see section “Alternative Performance Measures (APMs)” within the chapter “Other information” of this report.

2.2 Our stakeholders

BBVA seeks to have a positive impact on the lives of people, companies and the society as a whole through its activity. For this reason, the Group has a responsible banking model and is committed to creating long-term value for all stakeholders.

A banking model governed by the following general principles:

- Generation of positive impact on society.
- Respect for the dignity of people and the rights that are inherent to them.
- Investment in the community.
- Involvement as an agent of social change.

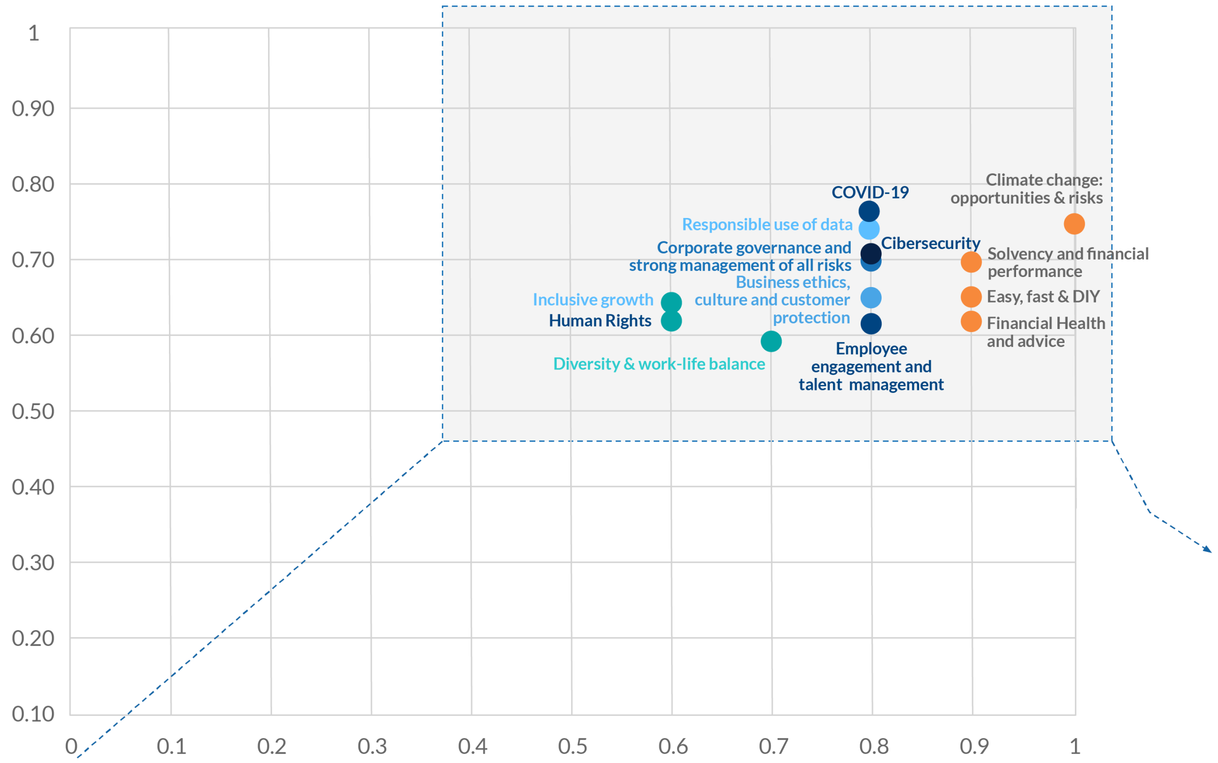
This way of doing banking responsibly is extended to all the entities that are part of the Group and its principles are integrated into the relationship that BBVA maintains with all its stakeholders (customers, employees, shareholders and investors, suppliers, regulators and supervisors and society), as well as in its relationship with the environment and social development, its fiscal responsibility, the prevention of conduct contrary to regulations, human rights and its participation in international initiatives.

This is reflected in the different policies of the Bank and especially in the Corporate Social Responsibility Policy (hereinafter, CSR). The CSR Policy was approved in 2008 and last updated by the Board of Directors in 2020 with the aim of adapting it to the Bank's strategy and is available for consultation on the Group's shareholders and investors website.

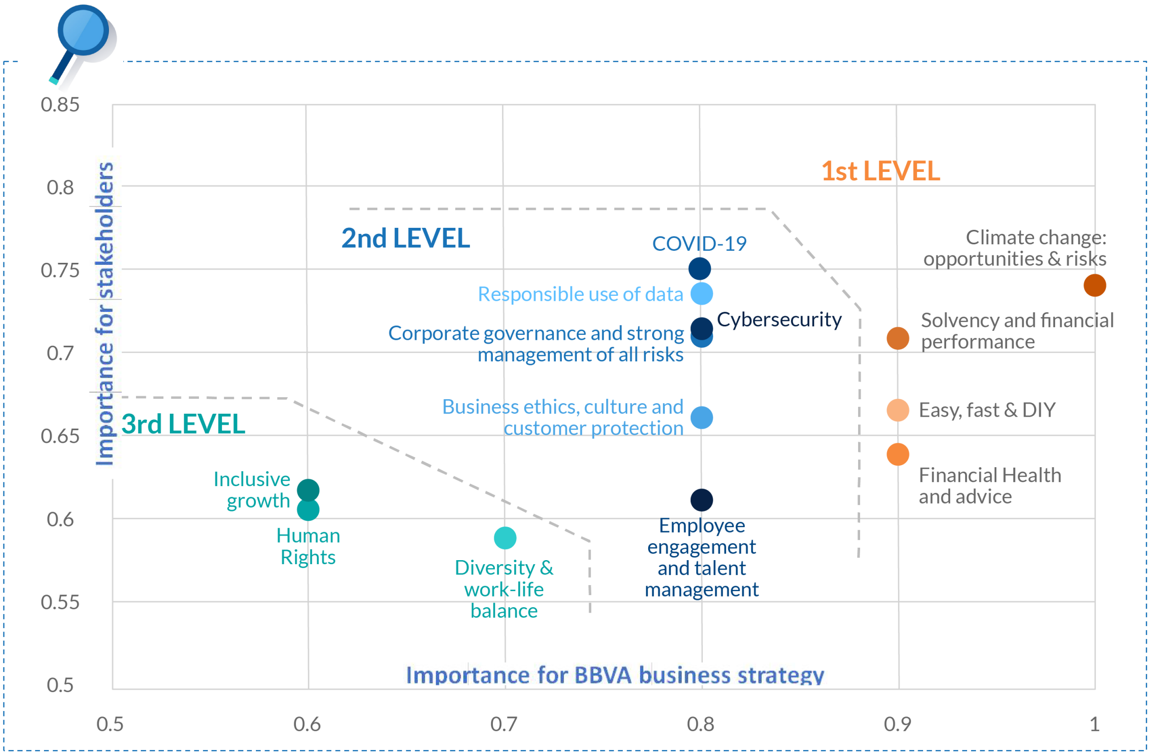
2.2.1 Materiality analysis: the most relevant issues for stakeholders and BBVA

To generate value for its stakeholders, BBVA carries out a regular analysis called the "Materiality analysis" which helps prioritize the most relevant issues for both, stakeholders and BBVA. The materiality analysis was carried out in 2020, and its main conclusions were valid for 2021. It includes the point of view of the stakeholders in the main countries in which BBVA operates: Spain, Mexico, Turkey, Argentina, Colombia and Peru[8].

The results of the analysis are reflected in the following matrix:



[8] In 2021, the United States was still within the scope of consolidation, given that the subsidiary remained in BBVA during the first half of the year.



The four material issues with greatest importance now and over a longer time horizon, for both stakeholders and BBVA's business strategy, are as follows:

- Climate change: Climate change is among the main concerns for stakeholders, and they hope that BBVA will contribute to an ordered transition toward a low-emission economy. This requires an adequate management of risks and opportunities.
- Solvency and financial results: Stakeholders expect BBVA to be a robust and solvent bank, thus contributing to the stability of the system. They also expect BBVA to generate good results over time. In other words, they demand a sustainable business model in the current ecosystem.
- Easy, fast and do it yourself (DIY) service for customers: Stakeholders expect BBVA to continue to put technology and digitalization at the service of customers and the business, so they can operate in a simple and agile way at any time and in any place (mobile banking, fully digital contracts, etc.).
- Financial health and personalized advice to customers: Stakeholders expect the Bank to get to know its customers and propose personalized solutions and recommendations to manage their finances better and achieve their vital objectives, all this proactively and with an increasing level of automation.

The information on how these relevant issues were handled by the Group in 2021 is explained in the different chapters of this management report.

For more information on the methodology and objectives as well as the level of progress in the material issues for BBVA and its stakeholders, see "Other information on Materiality" in the "Additional information" chapter of this report.

2.2.2 Customers

The Bank puts customers at the heart of its activity and aims to establish a responsible relation with them, helping them to make better financial decisions to achieve their life and professional objectives.

In this sense, there are some basic pillars linked to the Group's compliance system with which BBVA aspires to be the partner of trust for its customers, in both management and control of their finances, based on personalized advice and with the aim of improving the financial health of its customers.

Information security must also be a key pillar to guarantee the operational resilience of any organization. That is why the Group has established policies, procedures and controls for the security of global infrastructures, digital channels and payment methods, with a holistic approach based on intelligence in the face of challenges.

Customer experience

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

Customer satisfaction

As commented above, BBVA occupies the leading positions in the Net Promoter Score (NPS), as reflected in its retention figures, which show a positive trend in the levels of customer drop-outs (retail and SMEs), and a greater commitment from digital customers, whose drop-out rate is 7.4% lower than that of non-digital customers.

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

The Group's consolidation and application of this methodology over the last ten years provides a common language both internally and with customers that facilitates everyone's involvement and the integration of the voice of customers in everything the Bank does, from the beginning. This has led to a steady increase in customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

Transparency, Clarity and Accountability (TCR)

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

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

- Implementing the TCR principles in new digital solutions through the participation of TCR experts in the conceptualization and design of these solutions, especially in massive impact digital solutions for retail customers.
- Incorporating the TCR principles into the creation and maintenance of key content for customers (product sheets, contracts, sales scripts. responses to customer letters, communication regarding COVID-19, etc.).
- TCR awareness-raising and training throughout the Group, through a virtual community, on-site workshops and online activities. Since 2014, more than 30,000 training interactions have been carried out online, of which 1,820 were in 2021.

In 2021, the Group has placed particular emphasis on designing TCR solutions for people who have some type of visual, hearing, motor or cognitive disability, making progress in making all the digital solutions available in the different countries. With this aim, a process has been defined so that new global designs and developments are accessible, extending them globally as they are reused in the different geographical areas. BBVA has organized global accessibility sessions with more than 1,300 people attending.

BBVA has an indicator to measure its TCR performance: the Net TCR Score (NTCRS), which is calculated following the same NPS methodology. Based on the same survey, the NTCRS measures the degree to which customers perceive BBVA as a transparent and clear bank in comparison with its peers, in the main countries where the Group operates.

According to December 2021 data, BBVA is a leader in NTCRS in Spain, Mexico, Peru and Uruguay, and in second place in Turkey, third in Colombia and fifth in Argentina. The Group is working on plans to improve customer perceptions[9] in Colombia and Argentina.

[9] Own work. The study has considered the main peers of BBVA in Argentina, Colombia, Spain, Mexico, Peru, Turkey and Uruguay.

Behavior with customers

BBVA has a Code of Conduct that establishes guidelines for conduct with customers in line with the values of the Group. It has also established policies and procedures for governance which establish the principles to be followed when assessing the characteristics and risks of products and services, as well as defining their conditions for their distribution and monitoring. Thus, based on customer insight, their interests should be taken into account at all times, and products and services should be offered in accordance with their financial needs. Moreover, any customer protection regulations applicable must always be complied.

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.

In 2021, BBVA has continued to evolve and strengthen its internal regulation, as well as the frameworks of mitigation, control and monitoring within the scope of protection of the customers, also considering the priorities of regulators and supervisors. In this respect, the following main lines of action should be highlighted:

- The update of standards in customer protection at Group level, covering also aspects related to the creation and distribution of sustainable products, within the framework of the protection of vulnerable customers and the processes of granting loans and credit responsibly.
- The changing indicators in customer conduct, to identify early the possible indications of inadequate sales practices, applying for this purpose advanced data analysis techniques.
- Monitoring of the measures promoted by the regulators and governments on occasion of the crisis derived from the pandemic, as well as those proposed for exit from it, advising the business units on their implementation and carrying out the corresponding monitoring.

Moreover, the Bank has continued to work to incorporate the vision of customer protection into the development of new products and businesses, both retail and wholesale, from the moment of its design and creation.

Customer security and protection

For BBVA security of information is one of the key aspects of its digital transformation. Information security is organized into three fundamental pillars: cybersecurity, data security and security in the business and fraud processes. 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 take into account security industry best practices established in internationally accepted security standards, are periodically reviewed to evaluate the progress and the effective impact on these risks.

In 2021, the measures adopted have been strengthened to guarantee effective protection of the information and assets which support the Entity'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 carried out during the year that are now implemented in the Group to improve customer security and protection:

- 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.
- Implementation of behavioral biometrics and malware protection for digital clients to reinforce analytical and fraud detection capabilities in mobile channels.
- Use of advanced analytics models to protect the funds of BBVA customers.
- Enhancement of the section with security advice to make customers aware of the main cybersecurity risks they are exposed to, so that they can prevent or act against possible threats.

In addition, robust customer authentication mechanisms have been employed in e-commerce and the security of cards has been improved to prevent possible fraudulent use of their data. One example is the Aqua card, which is the first card without a number or printed CVV, and with a dynamic CVV.

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

Among the main campaigns and awareness initiatives performed and the recommendations included in the app, BBVA online channels and social media, it is worth highlighting those related to information protection, secure password management, protection of devices (computers, smartphones, etc.), detection of phishing and other computer and social engineering attacks, detection of cybernetic scams, and security in online purchases.

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.

Governance

BBVA has implemented a model of governance for information security, including the work of the Information Security Steering Committee, responsible for the approval and monitoring of the information security strategy execution and the effective implementation of the different programs designed for each of the three pillars that compose it.

Also, the Corporate Security function is organized by a system of committees and working groups to manage the different areas related to information security: security in transactions, security associated with technology, physical security, security in business processes, security related to personnel, etc.

There are also committees responsible for information protection and fraud management, where both the Corporate Security function and the rest of the areas involved in the Bank participate.

Lastly, BBVA has a Technology and Cybersecurity Commission, whose functions include the supervision of technology and cybersecurity strategy and cybersecurity risk management. This Commission assists the Board of Directors in monitoring the technological risks to which the Bank is exposed, current cybersecurity and technology trends, and any relevant technological security event that could affect the Group.

Data protection

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

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

During 2021 there has been no incident that has had a significant economic impact on the BBVA Group.

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

Cybersecurity

The COVID-19 pandemic has increased the scope of social engineering attacks through e-mail, SMS, instant messaging systems and social media. It has also contributed to the emergence of new risks and challenges for companies, like the ones related to security in telework, security in cloud environments and the increase in the attack surface. As a result, as cyberattacks evolve and become more sophisticated, BBVA has strengthened its prevention and monitorization efforts.

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

In 2021, the monitoring capacity of the systems has increased, in particular with respect to the critical assets which 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.

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, reduce the possible negative impact and, if necessary, report in a timely manner to the corresponding supervisory or regulatory authorities.

BBVA also routinely reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. Specialized teams periodically perform technical security tests in order to detect and correct possible security vulnerabilities.

In 2020 and 2021, the Group detected an increase in the number of attacks in a number of countries, accentuated by the presence of organized crime groups specialized in the banking sector.

Security in business processes and fraud

Cybersecurity processes are always undertaken in close coordination with fraud prevention processes, so there are considerable interactions and synergies between the relevant teams. As part of the efforts to monitor fraud and to actively support the deployment of adequate anti-fraud policies and measures, a Corporate Fraud Committee has been created to oversee the evolution of all external and internal fraud types in all countries where the Group operates.

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

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

Business Continuity

In 2021 and 2020, Business Continuity continued to be reinforced from a holistic perspective, paying special attention to the Group's resilience. As a result thereof, a shift from a model basically geared to ensuring the uninterrupted delivery of products and services in situations of great impact which are infrequent but plausible, toward a model in which the organization has been provided with the ability to absorb and adapt to situations with an operational impact due to disruptions of various kinds (pandemics, cybersecurity incidents, natural disasters or technological failures), has been consolidated. This has been reflected in an intense activity by the Business Resilience Office, which together with the Crisis Management Committees and Group Continuity has played a very important role in the management of the crisis resulting from COVID-19 in the numerous areas it has impacted.

Customer care

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

In 2021 the Group's claims units worked to reduce attention times which, due to the health provisions imposed by the global COVID-19 pandemic, were significantly affected in 2020; as well as the proactive identification of potential new problems and the eradication of the root causes of the most common types of claims. All this with the aim of generating peace of mind and consolidating customer trust, giving a swift resolution to their problems, through a simple and agile experience and with a clear and personalized response.

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

	2021	2020
Number of claims before the banking authority for each 10.000 active customers	10	13
Average time for setting claims (natural days)	5	11
Claims settled by First Contact Resolution (FCR) (% over total claims)	10	19

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

The country that registers the largest number of claims before the banking authority per 10,000 active customers is Colombia.

CLAIMS BEFORE THE BANKING AUTHORITY BY COUNTRY (NUMBER FOR EACH 10.000 ACTIVE CUSTOMERS) [(1)]

	2021	2020
Spain	1.86	1.38
The United States[(2)]	4.51	4.70
Mexico	9.19	12.16
Turkey	12.77	16.51
Argentina	0.13	0.45
Colombia	62.45	97.56
Peru	2.04	2.02
Venezuela	0.09	0.03
Uruguay	0.29	0.31
Portugal	21.90	17.45

Scope: BBVA Group.

(1) The banking authority refers to the external body in which the customers can complain against BBVA.

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

The Group's average claim resolution time was 5.46 days in 2021, which represents a reduction in all countries compared with 2020 (higher times as a result of the health provisions that were established as a result of the pandemic).

AVERAGE TIME FOR SETTING CLAIMS BY COUNTRY (NATURAL DAYS)[1]

	2021	2020
Spain	11	9
The United States [2]	6	6
Mexico	4	6
Turkey	4	6
Argentina	7	9
Colombia	5	10
Peru	7	35
Venezuela	8	8
Uruguay	16	7
Portugal	6	6

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

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

Claims settled by the First Contact Resolution (FCR) model, which consists in the resolution of the claim at the time it is filed, account for 10% of total claims, thanks to the fact that the management and handling of these claims aims to reduce resolution times and increase the service quality, thus improving the customer experience.

CLAIMS SETTLE BY FIRST CONTACT RESOLUTION (FCR. PERCENTAGE OVER TOTAL CLAIMS)

	2021	2020
Spain [1]	n.a.	n.a.
The United States [3]	32	36
Mexico	10	19
Turkey [2]	38	29
Argentina [4]	3	45
Colombia [2]	21	25
Peru	1	1
Venezuela [1]	n.a.	n.a.
Uruguay	11	13
Portugal [1]	n.a.	n.a.

n.a. = not applicable.

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

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

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

(4) In Argentina, the criteria has been modified in 2021, homogenizing it with the rest of the countries (Mexico, Uruguay, Peru and the United States). The 2020 data responds to local criteria.

The justified claims related to violations of privacy and loss of customer data filed before the corresponding banking authorities in the countries, account for 0.05% of the total claims as a result of preventive policies and risk control measures.

The total volume of claims in 2021, which breakdown is shown in the following table, represents a reduction of 2% in the volume of claims with respect to the figure in 2020, as a result of the improvements in the claims management process in the Group.

TOTAL VOLUME OF CLAIMS (BBVA GROUP. MILLIONS)

	2021	2020
Spain	0.2	0.12
The United States [1]	0.02	0.05
Mexico	1.04	1.05
Turkey	0.18	0.23
Argentina	0.23	0.24
Colombia	0.11	0.14
Peru	0.32	0.34
Venezuela	0.014	0.019
Uruguay	0.012	0.018
Portugal	0.0001	0.0001

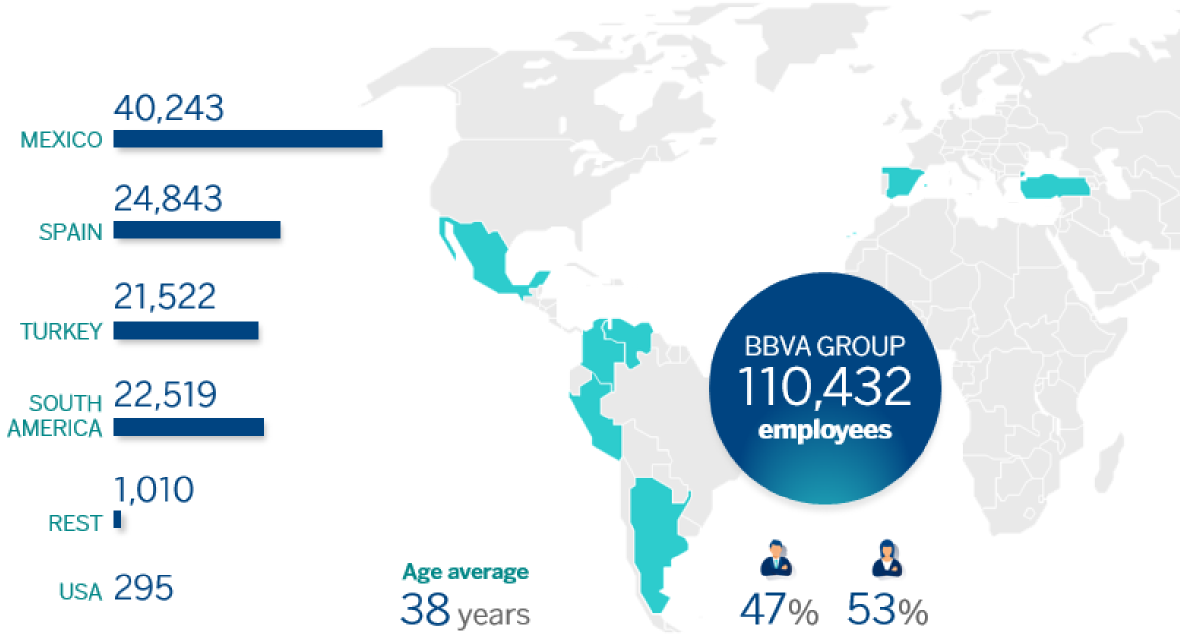
(1) Due to the sale of BBVA USA, during 2021 claims in this country have been monitored until May 31, 2021 only.

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

2.2.3 Employees

The team is one of the accelerators of growth and a strategic lever for the Group. BBVA has a diverse and empowered team with a distinct culture, which is guided by the corporate purpose and values.

As of December 31, 2021, the BBVA Group had 110,432 employees located in more than 25 countries, 53% of whom were women and 47% were men. The average age of the staff was 37.7 years. The average length of service in the organization was 10.7 years, with a turnover of 6.5% in 2021.

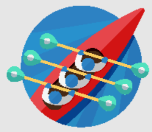


Note 1: Figures as of December 31, 2021
Note 2: Criteria for number of employees is based on location

BBVA Group's workforce fell by 10% in 2021. Among the main changes were the exit of BBVA USA and of the rest of the Group's companies in the United States included in the agreement following their sale to the PNC Financial Services Group, Inc on June 1, 2021 and restructuring plan of the Bank in Spain.

Culture & Values

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

		
Customer **comes first**	We think **big**	We are **one team**
We are empathetic	We are ambitious	I am committed
We have integrity	We break the mold	I trust others
We meet their needs	We amaze our customers	I am BBVA

The values form part of the main levers for the Bank's transformation and in the Talent & Culture processes: from the selection of new employees to the procedures for allocating roles, people development, training, and incentives for achieving goals.

The values also boost commitment at BBVA. The Group carries out annually the Employee Commitment Survey[10], managed by Gallup. In 2021, 93.1% of employees participated. The most outstanding aspect is the significant improvement of the Grand Mean, the strategic KPI with which the progress of the strategic priority "The best and most committed team" is measured and which is obtained by averaging the twelve main questions of the survey. Thus, in 2021 a value of 4.26 out of 5 has been achieved, which represents an improvement over last year (4.25 points).

By age groups, this year's results were: 4.42 points out of 5 among employees under 25 years of age; 4.34 points for the range of 25 to 34 years; 4.23 points from 35 to 44 years old; 4.22 points from 45 to 54 years; and 4.15 in the case of employees over 55 years of age. By gender, the result has been the same between men and women (4.27).

Similarly, BBVA's employee engagement index, which is calculated by dividing the percentage of engaged employees by the percentage of actively disengaged employees, improved in 2021 to 10.50 (10.17 in 2020).

BBVA has been granted with the Gallup Exceptional Workplace Award for being one of the 40 best organizations in the world which has worked most on engagement in 2021. Moreover, the most notable aspect is that 76% of teams have launched action plans to improve engagement (over 24,000 plans).

BBVA has expressed its will to reinforce its corporate culture of social and environmental engagement, facilitating the conditions for its employees to carry out volunteer work. For further information on volunteer work, see the "Volunteer work" section below in this chapter.

People Management

BBVA continues to boost its employees' commitment and performance, accompanying its transformation process with a variety of initiatives in questions related to staff, such as:

- Transformation and development of the employee relations model: fostering a more accessible model and driving enterprise, empowerment and responsibility; providing the different areas in the Group with the advice to boost talent management based on their objectives and the employees with support for the development of their professional careers; the search for opportunities and the reinforcement of their role with more personal advice from the employee's supervisor.
- Maintenance of the Agile model of organization with the digital factories formed by multi-disciplinary teams which share the same objective and work with autonomy and capacity for execution with the aim of improving quality, productivity, the launch period and commitment.

[10] A total of 69,155 BBVA Group employees (36,326 identifying as women and 32,817 as men) took part in the last Gallup survey in the fourth quarter of 2021. By age range, 4% of employees who participated in this survey were under 25, 36% were 25 to 34, 31% were 35 to 44, and 23% were 45 to 54, while 6% were over 55.

- Launch of a solution to improve the mass training of employees. This solution represents a radical transformation for the employees of their training experience, introducing modern learning techniques based on an attractive training journey, and allowing them to manage this enormous challenge while generating the incentives for them to adopt it.
- The strengthening of a corporate culture of collaboration and entrepreneurship, which revolves around the set of values and behaviors described above and which generate certain identity traits that differentiate it from other entities.

Professional development

In 2021, work continued on BBVA's model of professional development by the consolidation of an ecosystem in which the employees have available certain elements through three different modules that allow them to know themselves better, improve, grow and explore new pathways.

Talent attraction

BBVA aims to offer its employees a unique value proposition, through a common brand, in line with a global and digital company. In 2021, BBVA has launched a talent attraction program whose aim is to hire key talent with the potential to support BBVA Group's transformation process and provide an outstanding program for their training and international development.

Thanks to brand positioning actions and the promotion of professional opportunities available at BBVA through various channels, it was possible to attract over 175,000 candidates in 2021. All this is carried out under a global reference model for attracting talent, with clear policies that strengthen transparency, trust and flexibility for all stakeholders involved in the process.

BBVA also has a global scorecard to measure compliance levels with each of the internal mobility policies, ensuring follow-up and commitment to compliance in each of the geographical and global areas in which BBVA operates.

In 2021, 13,810 professionals joined the Group following this initiative to attract, select and incorporate profiles with new skills necessary for BBVA in its transformation process.

RECRUITMENT OF EMPLOYEES BY GENDER (BBVA GROUP. NUMBER)

	2021			2020		
	Total	Male	Female	Total	Male	Female
Spain	1,133	476	657	1,776	715	1,061
Mexico	10,567	5,700	4,867	4,706	2,435	2,271
Turkey	2,377	1,075	1,302	1,500	697	803
South America	3,226	1,562	1,664	1,479	677	802
The United States	630	271	359	1,837	792	1,045
Rest	83	50	33	102	65	37
Total	**18,016**	**9,134**	**8,882**	**11,400**	**5,381**	**6,019**
Of which new hires are (1):						
Spain	422	231	191	593	340	253
Mexico	7,945	4,318	3,627	5,050	2,560	2,490
Turkey	2,366	1,070	1,296	1,481	690	791
South America	2,391	1,271	1,120	1,191	597	594
The United States	617	260	357	1,839	793	1,046
Rest	69	43	26	92	57	35
Total	**13,810**	**7,193**	**6,617**	**10,246**	**5,037**	**5,209**

(1) Including hires through consolidations.

Development

The professional development model is based on a 360º assessment process. For the first time, in 2021 employees know their position on the BBVA Group talent map; in other words how they compare with other professionals who occupy similar positions to theirs. This allows them to identify their development plan and access the tools that BBVA makes available to them to help them achieve their objectives.

Moreover, BBVA's professional development has been enriched in 2021 through the incorporation of tools that allow employee growth: Project Review linked to the implementation of Agile organizational models and an internal coaching program. These tools complement those already in place in the professional development model, such as Open Mentoring, BBVA Campus, Mobility and Opportunity, whose impulse has been a priority in 2021.

The percentage of vacant positions filled with internal candidates stood at 56.7% in 2021 (69.4% in 2020) and signals the commitment to the global policy of prioritizing internal versus external talent. 2020 was a very restrictive year in terms of both internal and external hiring. There was a freezing in Central Areas for 9 months in almost all countries to limit movements facing the COVID crisis. In 2021, activity was resumed in most countries, promoting internal movements stopped the previous year.

Training

BBVA's training model gives employees a leading role in their own development and provides them with the autonomy to decide their learning pathways. In this way, the employees no longer have to wait to be invited to a training action; they now have the means to decide themselves on their learning pathways and how to grow professionally. This commitment to decentralization allows the employees themselves to generate knowledge and share it with their colleagues. Sessions of this type have involved the participation of 86,878 employees from all geographies to assess the usefulness of the content.

The solidity and level of implementation of the training model across the Group is allowing to be proactive and guarantee that knowledge (internal or external) is obtained which the Bank needs at any time and continuously for the growth of its professionals.

In 2021, with the aim of reinforcing this commitment, BBVA launched a program to accelerate the acquisition of new competencies and develop the competencies needed within the same post or profile (up/reskilling). In this way, employees will be able to focus on their growth in knowledge that is a priority for BBVA.

To meet this challenge, BBVA's training model has been transformed to continue boosting a culture of "learning skills" which allow professionals to have the capacities required at any time and thus improve their employability. In the context of a changing environment, it is not only necessary to be flexible and adaptable to change; it is also essential for employees to update their knowledge all the time (continuous learning).

As a result, BBVA has been recognized in recent years as an extremely innovative entity in the training world, with a deep-rooted culture of online learning (in the last 4 years, over 70% of the training has been online and in 2021 it was 74%) and a wide-ranging digital training offer for its employees channeled through its global training platform BBVA Campus.

This training platform provides employees with over 20,000 training resources (MOOCs, podcast, videos, blogs, practice communities, portals structured by knowledge area, simulators, etc.), specific experiences geared at specialized technical profiles and links to external training platforms of recognized prestige at global level or courses offered by key educational institutions.

For this reason all employees have been offered 14 expeditions through The Camp (one for each strategic knowledge area), structured into 3 different levels of increasing specialization, providing a response to Strategic People Planning, on which the capacities required by the Group for the bank of the future have been defined.

Through these expeditions, the professionals have focused on extending their knowledge and training on more strategic subjects for the Group. In 2021, more than 83,271 professionals have completed 1,169,700 hours of training on subjects related to sustainability, cybersecurity, data, Agile, design and the behavioral economy. The average satisfaction score is 4.7 (out of 5).

Another extremely relevant line of training for professionals has been the knowledge required for the transformation of the business, transforming their current and future capacities. It is also worth noting that BBVA continued to boost the certification of its professionals' knowledge in 2021. Thanks to internal or official external certifications, employees have been able to accredit specialized knowledge in the main business subjects.

Specifically, training in sustainability has taken a leading role in helping to boost knowledge related to this strategic priority across the whole Group. In 2021, 179,012 hours of training were completed (165% more than in 2020) and over 57,210 professionals have participated in a sustainability-related training initiative. Moreover, 5,516 employees have exceeded the EFPA-ESG (European certifier) and IASE ISF1 (international certifier) certifications.

BASIC TRAINING DATA (BBVA GROUP)

	2021	2020
Total investment in training (millions of euros)	36.0	31.8
Investment in training per employee (euros) (1)	326	258
Hours of training per employee (2)	44.8	41.4
Employees who received training (%)	97.9	92
Satisfaction with the training (rating out of 10)	9.5	9.3
Average participations per employee	30.8	33
Amounts received from FORCEM for training in Spain (millions of euros)	1.5	1.2

(1) Ratio calculated considering the Group´s workforce at the end of each year (110,432 in 2021 and 123,174 in 2020).

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

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

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [1]	3,030	2,042	988	91,222	59,939	31,283
Middle controls	8,547	4,509	4,038	296,065	163,543	132,522
Specialists	39,684	19,730	19,954	1,626,500	789,266	837,234
Sales force	37,763	15,991	21,772	1,917,627	826,829	1,090,798
Base positions	19,118	8,504	10,614	1,020,459	411,971	608,488
Total	**108,142**	**50,776**	**57,366**	**4,951,873**	**2,251,548**	**2,700,325**

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

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. 2020)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [1]	3,077	2,098	979	64,826	43,126	21,700
Middle controls	9,768	5,162	4,606	255,076	137,242	117,834
Specialists	36,692	17,648	19,044	1,242,055	572,230	669,825
Sales force	43,487	18,745	24,742	2,192,527	968,162	1,224,365
Base positions	20,559	8,747	11,812	1,348,223	511,307	836,916
Total	**113,583**	**52,400**	**61,183**	**5,102,707**	**2,232,066**	**2,870,641**

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

EMPLOYEE TRAINING 2021 (BBVA GROUP. NUMBER, PERCENTAJE)

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

(1) Investment in training / Wages and salaries.

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

Diversity, inclusion and different capacities

At BBVA, diversity and inclusion are firmly aligned with its purpose and consistent with its values. BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its customers. In 2018 a global diversity plan was designed with several lines of action, focused mainly on gender diversity, but without forgetting other aspects of diversity such as ethnic, inter-generation, different capacities and sexual orientation. Since then, the plan has been improved and updated.

With respect to gender diversity, a number of initiatives have been developed since 2018 whose aim is to facilitate the professional growth of women in BBVA and accelerate their access to positions of responsibility. Among these initiatives implemented in 2021 are:

- Setting gender diversity targets at area and country level. A target has been set for the percentage of women to be promoted to categories of greater responsibility over the next five years. This target is supported by a specific diversity plan developed by each of the areas, which is revised quarterly and must ensure compliance with the plan.
- New initiatives favoring female talent that speed up the professional growth of women in BBVA, ensuring equity and neutrality in the selection and professional growth processes.
- Improved capacity to identify the women in BBVA with the greatest potential through the Talent Map tool. Within this line of work are the extension of the Rooney Rule to more levels of the Organization, improvement of training, mentoring targeted at women with high potential and the introduction of the gender component in the succession plans (line-up plan) to positions of high responsibility.
- Continuing work on a flexible working environment in which men can assume their family responsibilities to the same extent as women, and where maternity does not represent a professional obstacle for women (the Work Better, Enjoy Life initiative). A hybrid work model has been implemented for this purpose to balance personal and professional life better. Paternity leave has also been extended in a number of geographical areas.

Initiatives include the creation of the Employee Resource Group (hereinafter, ERG), a form of intrapreneurship in which employees themselves decide to get together to promote diversity and foster personal relations between people with common interests; and the support to a variety of organizations and initiatives working for diversity and equal opportunities between men and women, such as participation in the fight against the gender gap in science, technology, engineering and maths, or collaboration with initiatives such as Inspiring Girls, the Girls' Olympiad in Informatics and Technovation for Girls.

In terms of gender diversity, women represent 33% of the members of the board of directors of BBVA, S.A.,26.8% of senior management and 36.1% of management positions, 31.5% of technology and engineering positions and 57.4% of business and profit generation positions (31.6%, 43.4%, 32.2% and 57.4%, respectively, in 2020).

As for LGTBI+ diversity, a guide was prepared in 2021 called "Trans Diversity, Meeting Point." It is a manual which includes guidelines and protocols focused on supporting transexual or transgender employees or customers. BBVA was elected president of the Business Network for Diversity and LGTBI inclusion (REDI), the first business association in Spain created to promote an inclusive and respectful environment in organizations. Over 95 Spanish companies form part of this organization. In 2021, two global events were held for BBVA employees related to diversity and inclusion: the International LGTBI+ Pride Day and the Diversity Days, which are internal days held for the second year in a row to share the significant progress made in terms of diversity and inclusion and to create a learning space.

BBVA's leadership in diversity issues has led to it being included for the fourth consecutive year in the Bloomberg Gender-Equality Index, a ranking that includes the 100 global companies with the best gender diversity practices. The Bank has also been finalist in the Euromoney awards as Best Global Diversity and Inclusion Bank; and in the LinkedIn Talent Awards in the Diversity Champions category. Moreover, Gartner published a study praising the Bank's global strategy in terms of diversity and inclusion.

Regarding the statement "BBVA always values diversity" in the Employee Engagement Survey, managed by Gallup, in 2021 the Bank obtained a score of 4.53 out of 5, slightly more than the 2020 results (4.52).

All the Group companies in the different countries have protocols for preventing sexual harassment, expressly stating their rejection of any conduct of a sexual nature or with a sexual connotation that has the purpose or effect of violating a person's dignity, and they undertake to apply this agreement as a means of preventing, detecting, correcting and punishing this type of conduct within the company.

With respect to different capacities, BBVA has expressed its commitment to the social integration of individuals with different capacities. It has an ERG related to different capacities which organizes talks to raise awareness of this issue.

There are numerous initiatives in all the geographical areas to boost the inclusion of people with disabilities, such as grants to students and programs for the incorporation of people with different capacities, with the collaboration of specialized organizations and companies, as well as educational centers and universities.

For example, in Spain BBVA has alliances with the leading Spanish organizations in the disability sector with the aim of promoting accessibility, fostering labor integration and increasing knowledge and awareness of the needs and potential of disabled people. There are two pilot projects: first, one which employs people with mental disabilities in reception and support tasks in BBVA buildings in Madrid; and second, a neurodiversity pilot project which integrates people with autism spectrum disorder (mainly Asperger) into engineering teams.

As of December 31, 2021, BBVA had 589 people with different capacities on the Group's staff (526 in 2020[11]), of whom 175 are located in Spain, 18 in Mexico, 354in Turkey 36 in South America and 6 in Portugal.

[11] 2020 data differ from the one reported in the Non-financial information report of 2020 due to additional amendments.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA GROUP)

	2021			2020		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	24,843	12,185	12,658	29,330	14,393	14,937
Mexico	40,243	19,157	21,086	36,853	17,133	19,720
Turkey (1)	21,522	9,370	12,152	21,908	9,513	12,395
The United States	295	201	94	10,895	4,602	6,293
South America	22,519	10,436	12,083	23,059	10,699	12,360
Argentina	5,852	3,117	2,735	6,052	3,219	2,833
Colombia	6,741	2,812	3,929	6,592	2,747	3,845
Venezuela	1,764	652	1,112	2,012	728	1,284
Peru	6,394	3,025	3,369	6,204	2,948	3,256
Chile	714	340	374	696	331	365
Paraguay	—	—	—	430	220	210
Uruguay	579	307	272	590	319	271
Bolivia	468	180	288	476	184	292
Brazil	6	2	4	6	2	4
Cuba	1	1	—	1	1	—
Rest	1,010	560	450	1,129	641	488
France	66	42	24	68	44	24
United Kingdom	118	80	38	118	85	33
Italy	52	30	22	51	28	23
Germany	41	27	14	43	27	16
Belgium	22	13	9	22	13	9
Portugal	440	221	219	447	224	223
Switzerland	117	71	46	113	71	42
Finland	—	—	—	125	80	45
Hong Kong	90	54	36	80	46	34
China	29	7	22	29	9	20
Japan	4	3	1	3	2	1
Singapore	12	4	8	10	3	7
United Arab Emirates	2	1	1	2	1	1
Russia	—	—	—	1	1	—
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
South Korea	2	1	1	2	1	1
Taiwan	11	4	7	11	4	7
Total	**110,432**	**51,909**	**58,523**	**123,174**	**56,981**	**66,193**

(1) Includes the Garanti BBVA employees in Netherlands, Romania, Malta and Chipre.

PROMOTED EMPLOYEES BY GENDER (BBVA GROUP)

	2021			2020		
	Number of promoted employees	Male	Female	Number of promoted employees	Male	Female
Spain	3,976	1,945	2,031	1,608	794	814
Mexico	13,377	6,463	6,914	5,452	2,676	2,776
Turkey	2,530	1,128	1,402	2,350	975	1,375
South America	3,543	1,723	1,820	1,932	853	1,079
The United States	1,386	596	790	950	408	542
Rest	165	85	80	47	26	21
Total	**24,977**	**11,940**	**13,037**	**12,339**	**5,732**	**6,607**

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

	2021				2020			
	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Spain	43.8	0.5	58.6	40.8	43.8	0.5	59.0	40.4
Mexico	34.1	8.3	78.4	13.3	33.9	8.8	77.9	13.4
Turkey	36.1	4.2	84.3	11.6	35.6	4.4	85.7	9.8
South America	38.3	5.1	68.8	26.2	38.2	5.3	68.6	26.2
The United States	44.5	2.7	49.8	47.5	42.0	4.8	57.5	37.8
Rest	45.5	0.7	45.9	53.4	43.8	0.8	52.4	46.9
Total	**37.7**	**5.0**	**72.7**	**22.2**	**38.2**	**4.9**	**71.0**	**24.0**

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

	2021			2020		
	Total	Male	Female	Total	Male	Female
Spain	17.1	16.8	17.2	17.3	17.5	17.1
Mexico	6.8	6.4	7.1	7.7	7.6	7.9
Turkey	9.8	9.9	9.8	9.5	9.6	9.4
South America	11.4	11.8	11.0	11.6	12.2	11.1
The United States	6.4	6.6	6.1	7.7	6.5	8.6
Rest	14.9	14.3	15.6	13.2	12.4	14.1
Total	**10.7**	**10.6**	**10.7**	**11.1**	**11.3**	**10.9**

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

	2021			2020		
	On the total number of employees	Male	Female	On the total number of employees	Male	Female
Spain						
Management team (1)	3.9	72.9	27.1	3.5	75.0	25.0
Middle controls	8.6	61.3	38.7	7.5	62.4	37.6
Specialists	38.3	51.8	48.2	36.5	51.4	48.6
Sales force	44.3	42.7	57.3	43.8	43.0	57.0
Base positions	4.9	44.6	55.4	8.7	48.1	51.9
Mexico						
Management team (1)	0.5	76.5	23.5	0.5	79.0	21.0
Middle controls	2.3	63.2	36.8	2.4	64.8	35.2
Specialists	37.4	51.3	48.7	35.4	49.5	50.5
Sales force	25.9	50.6	49.4	28.2	50.9	49.1
Base positions	33.9	39.7	60.3	33.4	37.8	62.2
Turkey						
Management team (1)	7.7	62.6	37.4	7.6	62.0	38.0
Middle controls	16.2	38.9	61.1	16.0	38.3	61.7
Specialists	31.8	42.6	57.4	30.6	41.7	58.3
Sales force	36.7	31.7	68.3	38.0	33.0	67.0
Base positions	7.6	95.2	4.8	7.8	93.9	6.1
South America						
Management team (1)	0.9	68.7	31.3	1.0	68.0	32.0
Middle controls	9.8	59.9	40.1	11.2	55.9	44.1
Specialists	38.6	50.5	49.5	35.8	51.4	48.6
Sales force	36.7	40.1	59.9	37.3	40.4	59.6
Base positions	14.0	40.3	59.7	14.8	41.1	58.9
The United States						
Management team (1)	7.5	86.4	13.6	0.4	91.3	8.7
Middle controls	30.8	73.6	26.4	7.7	64.2	35.8
Specialists	37.6	56.8	43.2	36.5	41.2	58.8
Sales force	18.3	77.8	22.2	43.2	46.4	53.6
Base positions	5.8	58.8	41.2	12.1	14.6	85.4
Rest						
Management team (1)	5.9	76.7	23.3	5.1	82.8	17.2
Middle controls	10.7	72.2	27.8	8.8	72.7	27.3
Specialists	45.8	48.7	51.3	52.1	53.5	46.5
Sales force	35.2	57.7	42.3	31.4	56.5	43.5
Base positions	2.4	20.8	79.2	2.6	17.2	82.8
Group average						
Management team (1)	2.8	67.5	32.5	2.6	68.4	31.6
Middle controls	8.1	52.7	47.3	8.2	52.8	47.2
Specialists	36.9	49.8	50.2	35.1	48.4	51.6
Sales force	34.4	42.2	57.8	36.7	43.0	57.0
Base positions	17.8	44.7	55.3	17.3	42.5	57.5

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

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

	2021			2020		
	On the total number of employees	Male	Female	On the total number of employees	Male	Female
Spain						
Permanent employee. Full-time	94.8	50.8	49.2	94.1	50.9	49.1
Permanent employee. Part-time	3.6	8.8	91.2	3.4	9.1	90.9
Temporary employee	1.6	39.2	60.8	2.5	35.1	64.9
Mexico						
Permanent employee. Full-time	93.2	47.2	52.8	94.7	46.2	53.8
Permanent employee. Part-time	—	60.0	40.0	—	37.5	62.5
Temporary employee	6.8	52.7	47.3	5.3	51.5	48.5
Turkey						
Permanent employee. Full-time	99.6	43.5	56.5	99.6	43.4	56.6
Permanent employee. Part-time	—	—	—	—	—	—
Temporary employee	0.4	51.2	48.8	0.4	63.1	36.9
South America						
Permanent employee. Full-time	88.9	47.3	52.7	91.3	47.4	52.6
Permanent employee. Part-time	5.0	42.1	57.9	2.6	33.1	66.9
Temporary employee	6.1	36.3	63.7	6.1	36.7	63.3
The United States						
Permanent employee. Full-time	100.0	68.1	31.9	99.4	42.4	57.6
Permanent employee. Part-time	—	—	—	0.6	13.2	86.8
Temporary employee	—	—	—	—	—	—
Rest						
Permanent employee. Full-time	98.8	55.7	44.3	99.7	56.7	43.3
Permanent employee. Part-time	0.8	37.5	62.5	0.1	100.0	—
Temporary employee	0.4	25.0	75.0	0.2	50.0	50.0
Group average						
Permanent employee. Full-time	94.0	47.4	52.6	95.2	46.7	53.3
Permanent employee. Part-time	1.9	27.3	72.7	1.4	18.1	81.9
Temporary employee	4.1	46.5	53.5	3.4	43.8	56.2

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

	2021				2020			
	On the total number of employees	<25	25-45	>45	On the total number of employees	<25	25-45	>45
Spain								
Permanent employee. Full-time	94.8	0.3	57.3	42.4	94.1	0.3	57.3	42.3
Permanent employee. Part-time	3.6	—	83.7	16.3	3.4	—	85.5	14.5
Temporary employee	1.6	18.2	79.0	2.8	2.5	9.4	86.5	4.2
Mexico								
Permanent employee. Full-time	93.2	7.2	78.7	14.1	94.7	7.5	78.4	14.1
Permanent employee. Part-time	—	—	80.0	20.0	—	—	62.5	37.5
Temporary employee	6.8	24.0	74.3	1.7	5.3	30.5	68.5	1.0
Turkey								
Permanent employee. Full-time	99.6	4.0	84.4	11.6	99.6	4.3	85.8	9.8
Permanent employee. Part-time	—	—	—	—	—	—	—	—
Temporary employee	0.4	37.2	57.0	5.8	0.4	26.2	64.3	9.5
South America								
Permanent employee. Full-time	88.9	3.4	69.6	27.1	91.3	3.1	68.6	28.3
Permanent employee. Part-time	5.0	4.7	55.8	39.5	2.6	14.5	78.6	7.0
Temporary employee	6.1	30.8	67.2	2.0	6.1	33.3	64.5	2.2
The United States								
Permanent employee. Full-time	100.0	2.7	49.8	47.5	99.4	4.7	57.6	37.7
Permanent employee. Part-time	—	—	—	—	0.6	8.8	39.7	51.5
Temporary employee	—	—	—	—	—	—	—	—
Rest								
Permanent employee. Full-time	98.8	0.5	45.9	53.6	99.7	0.8	52.3	46.9
Permanent employee. Part-time	0.8	—	37.5	62.5	0.1	—	—	100.0
Temporary employee	0.4	50.0	50.0	—	0.2	—	100.0	—
Group average								
Permanent employee. Full-time	94.0	4.2	72.9	23.0	95.2	4.1	70.9	25.0
Permanent employee. Part-time	1.9	2.6	68.2	29.2	1.4	5.6	81.0	13.4
Temporary employee	4.1	25.9	72.2	2.0	3.4	27.6	70.3	2.1

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

	2021			2020		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Spain						
Management team (1)	99.7	0.3	—	99.7	0.3	—
Middle controls	99.0	1.0	—	98.7	1.2	0.1
Specialists	90.9	5.1	4.0	89.8	5.3	4.9
Sales force	97.2	2.8	—	96.8	2.3	0.8
Base positions	92.7	6.4	0.9	91.8	4.0	4.2
Mexico						
Management team (1)	100.0	—	—	99.0	1.0	—
Middle controls	99.2	0.3	0.5	99.4	0.1	0.5
Specialists	96.6	—	3.4	97.7	—	2.3
Sales force	94.4	—	5.6	96.0	—	4.0
Base positions	88.1	—	11.9	90.0	—	10.0
Turkey						
Management team (1)	99.8	—	0.2	99.8	—	0.2
Middle controls	100.0	—	—	99.9	—	0.1
Specialists	99.1	—	0.9	98.9	—	1.1
Sales force	99.8	—	0.2	100.0	—	—
Base positions	100.0	—	—	99.9	—	0.1
South America						
Management team (1)	97.0	3.0	—	97.7	2.3	—
Middle controls	94.2	5.7	0.1	99.7	0.1	0.2
Specialists	96.3	2.6	1.1	99.0	0.1	0.9
Sales force	90.9	6.0	3.1	91.5	4.4	4.1
Base positions	59.3	8.2	32.5	65.2	6.0	28.8
The United States						
Management team (1)	100.0	—	—	100.0	—	—
Middle controls	100.0	—	—	99.9	0.1	—
Specialists	100.0	—	—	99.9	0.1	—
Sales force	100.0	—	—	99.9	0.1	—
Base positions	100.0	—	—	95.3	4.7	—
Rest						
Management team (1)	100.0	—	—	98.3	1.7	—
Middle controls	100.0	—	—	100.0	—	—
Specialists	97.8	1.3	0.9	99.8	—	0.2
Sales force	99.4	0.6	—	99.7	—	0.3
Base positions	100.0	—	—	100.0	—	—
Group average						
Management team (1)	99.6	0.3	0.1	99.5	0.3	0.1
Middle controls	98.2	1.7	0.1	99.6	0.3	0.1
Specialists	95.6	1.8	2.6	96.4	1.3	2.3
Sales force	95.6	2.1	2.3	96.6	1.5	1.9
Base positions	84.8	1.7	13.5	87.4	1.7	10.9

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

In 2021, the average annual number of full-time indefinite contracts, part-time indefinite contracts and temporary contracts was 94.1%, 1.6% y 4.3% (2020: 94.9%, 1.4% and 3.7%, respectively).

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

	2021			2020		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Spain						
Retirement and early retirement	623	379	244	755	473	282
Voluntary redundancies	31	13	18	58	29	29
Resignations	349	230	119	178	120	58
Dismissals	37	24	13	65	39	26
Others (1)	4,578	2,044	2,534	1,673	581	1,092
Mexico						
Retirement and early retirement	233	135	98	484	293	191
Voluntary redundancies	364	232	132	254	174	80
Resignations	3,460	1,726	1,734	2,522	1,229	1,293
Dismissals	2,016	1,009	1,007	1,527	759	768
Others (1)	1,104	572	532	846	443	403
Turkey						
Retirement and early retirement	155	73	82	129	64	65
Voluntary redundancies	370	167	203	216	103	113
Resignations	1,627	674	953	1,092	464	628
Dismissals	7	5	2	16	6	10
Others (1)	616	293	323	379	187	192
South America						
Retirement and early retirement	11	8	3	14	4	10
Voluntary redundancies	799	412	387	960	451	509
Resignations	1,567	750	817	1,043	504	539
Dismissals	358	180	178	501	216	285
Others (1)	1,030	474	556	546	231	315
The United States						
Retirement and early retirement	16	1	15	49	9	40
Voluntary redundancies	—	—	—	—	—	—
Resignations	984	462	522	1,319	510	809
Dismissals	35	19	16	84	33	51
Others (1)	10,196	4,192	6,004	340	170	170
Rest						
Retirement and early retirement	5	2	3	9	4	5
Voluntary redundancies	4	1	3	2	1	1
Resignations	55	39	16	31	13	18
Dismissals	2	—	2	6	4	2
Others (1)	137	89	48	68	42	26
Total Group	**30,769**	**14,205**	**16,564**	**15,166**	**7,156**	**8,010**
Retirement and early retirement	1,043	598	445	1,440	847	593
Voluntary redundancies	1,568	825	743	1,490	758	732
Resignations	8,042	3,881	4,161	6,185	2,840	3,345
Dismissals	2,455	1,237	1,218	2,199	1,057	1,142
Others (1)	17,661	7,664	9,997	3,852	1,654	2,198

(1) Others include permanent termination and death.

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

	2021				2020			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain								
Management team (1)	5	—	—	5	13	—	2	11
Middle controls	1	—	—	1	7	—	5	2
Specialists	19	2	15	2	30	1	23	6
Sales force	9	—	6	3	11	—	4	7
Base positions	3	—	1	2	4	—	3	1
Mexico								
Management team (1)	1	—	—	1	1	—	—	1
Middle controls	12	—	6	6	13	—	6	7
Specialists	462	12	371	79	408	11	302	95
Sales force	1,098	70	923	105	763	34	613	116
Base positions	443	31	394	18	342	32	296	14
Turkey								
Management team (1)	—	—	—	—	—	—	—	—
Middle controls	—	—	—	—	2	—	1	1
Specialists	—	—	—	—	—	—	—	—
Sales force	6	—	6	—	14	—	12	2
Base positions	1	—	1	—	—	—	—	—
South America								
Management team (1)	6	—	—	6	4	—	1	3
Middle controls	19	—	8	11	25	—	16	9
Specialists	81	2	46	33	119	1	62	56
Sales force	184	2	142	40	275	13	187	75
Base positions	68	11	53	4	78	17	38	23
The United States								
Management team (1)	—	—	—	—	—	—	—	—
Middle controls	2	—	1	1	2	—	2	—
Specialists	1	—	—	1	3	1	1	1
Sales force	31	3	20	8	61	15	33	13
Base positions	1	—	1	—	18	2	12	4
Rest								
Management team (1)	—	—	—	—	—	—	—	—
Middle controls	—	—	—	—	1	—	—	1
Specialists	1	—	—	1	3	—	1	2
Sales force	1	—	1	—	2	—	2	—
Base positions	—	—	—	—	—	—	—	—
Total Group	**2,455**	**133**	**1,995**	**327**	**2,199**	**127**	**1,622**	**450**
Management team (1)	12	—	—	12	18	—	3	15
Middle controls	34	—	15	19	50	—	30	20
Specialists	564	16	432	116	563	14	389	160
Sales force	1,329	75	1,098	156	1,126	62	851	213
Base positions	516	42	450	24	442	51	349	42

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

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

	2021			2020		
	Total workforce turnover	Male	Female	Total workforce turnover	Male	Female
Spain	1.2	65.9	34.1	0.6	67.4	32.6
Mexico	9.4	49.9	50.1	6.7	48.7	51.3
Turkey	7.4	41.4	58.6	4.9	42.5	57.5
South America	6.8	47.9	52.1	4.2	48.3	51.7
The United States	9.1	47.3	52.7	12.2	38.7	61.3
Rest	4.9	70.9	29.1	2.7	41.9	58.1
Total	**6.5**	**48.3**	**51.7**	**4.9**	**45.9**	**54.1**

(1) Turnover= [Resignations (excluding early retirement)/Number of employees at start of the period] * 100

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

	2021			2020		
	Workforce	Management team	Middle controls	Workforce	Management team	Middle controls
Mexico	36	17	83	30	19	81
Spain	23	32	68	22	32	68
Turkey	18	33	68	17	32	68

RECRUITMENT OF EMPLOYEES BY AGE (BBVA GROUP. NUMBER)

	2021				2020			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain	1,133	140	846	147	1,776	106	1,457	213
Mexico	10,567	2,308	7,797	462	4,706	1,342	3,287	77
Turkey	2,377	716	1,615	46	1,500	528	933	39
South America	3,226	813	2,306	107	1,479	424	1,013	42
The United States	630	121	411	98	1,837	320	1,204	313
Rest	83	7	65	11	102	2	91	9
Total	**18,016**	**4,105**	**13,040**	**871**	**11,400**	**2,722**	**7,985**	**693**
Which new entries are (1):								
Spain	422	45	159	218	593	41	202	350
Mexico	7,945	1,589	4,622	1,734	5,050	1,318	3,597	135
Turkey	2,366	716	1,608	42	1,481	528	915	38
South America	2,391	447	423	1,521	1,191	232	403	556
The United States	617	121	92	404	1,839	322	314	1,203
Rest	69	4	10	55	92	3	7	82
Total	**13,810**	**2,922**	**6,914**	**3,974**	**10,246**	**2,444**	**5,438**	**2,364**

(1) Including hires through consolidations.

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

	2021 (2)			2020		
	Total employee turnover rate	Male	Female	Total employee turnover rate	Male	Female
Spain	11.0	10.9	11.0	7.6	8.5	6.7
México	22.8	25.7	20.2	13.8	12.5	15.3
Turkey	11.8	12.1	11.6	7.6	6.1	9.5
South America	14.6	15.3	14.0	9.5	9.6	9.4
The United States	23.2	25.0	21.8	16.4	16.5	16.1
Rest	8.0	9.0	6.8	9.5	8.9	10
Total	**16.2**	**17.4**	**15.2**	**10.6**	**10.2**	**11.0**

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

(2) The turnover rates exclude the departure of employees derived from the sale of the BBVA companies in the United States and BBVA Paraguay

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

	2021 [2]				2020			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain	11.0	91.9	8.5	13.4	7.6	72.6	8.6	5.4
México	22.8	57.6	21.9	9.6	13.8	35.4	12.5	8.7
Turkey	11.8	54.1	10.5	6.5	7.6	33.8	6.4	6.1
South America	14.6	64.6	14.9	6.5	9.5	29.5	9.1	6.9
The United States	23.2	79.1	28.9	11.1	16.4	59.2	18.5	8.3
Rest	8.0	96.8	12.8	3.0	9.5	13.2	14.8	3.8
Total	**16.2**	**59.7**	**15.7**	**10.2**	**10.6**	**36.8**	**10.3**	**6.7**

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

(2) The turnover rates exclude the departure of employees derived from the sale of the BBVA companies in the United States and BBVA Paraguay

Work environment

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

Work organization

In 2021, in a context of a profound transformation marked by an enormous competitive pressure, low interest rates, the accelerated adoption of digital channels by clients and the entry of new digital actors, and with the aim of guaranteeing the competitiveness of the Organization and the sustainability of future employment, work was done on the search for formulas to allow the Group to reduce its cost structure.

In this respect, a collective bargaining process open to dialog began with the workers' legal representatives, with the aim of reaching the best possible agreement for all parties, to reduce the workforce in Spain through a collective redundancy procedure. The agreement was approved by 72.69% of the labor union representatives. It affected 2,935 people and included support measures to minimize or lessen the effects of the workforce reduction. These measures included conditional voluntary redundancy as a preferential mechanism for those affected, a process of internal outplacement within BBVA, possibility of access to a 5-year leave, measures to protect the most vulnerable groups, an external outplacement plan to protect and promote outplacement or self-employment, and compensation for dismissal adjusted by age groups.

Digital disconnection

The right to digital disconnection is included in the internal regulations and policies of each country agreement, 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.

In Spain this right is embodied in measures such as avoiding communications outside working hours, at weekends or public holidays, and calling meetings within working hours. In Mexico work continued in 2021 on various communication campaigns to promote respect for disconnection; in Colombia an agreement was reached with the workers' legal representatives which includes the right to labor disconnection within the framework of local legislation, boosting measures in accordance with a communication strategy.

Extension of maternity and paternity leave

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

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

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

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

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

PARENTAL LEAVE 2021 (BBVA GROUP. NUMBER, PERCENTAGE)	Male	Female	Total
Number of employees who have been entitled to parental leave	1,898	2,505	4,403
Number of employees who have taken parental leave	1,807	2,377	4,184
Number of employees who have returned to work in the reporting period after finishing their parental leave	1,753	2,137	3,890
Number of employees who have returned to work after finishing their parental leave and who were still employed 12 months after returning to work	1,326	2,162	3,488
The return-to-work rates of employees who took parental leave	97 %	90 %	93 %

The retention rate of employees who took parental leave in Spain in 2021 was 89.63%, being 90.65% in men and 88.52% in women.

Freedom of association and representation

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

In Spain, workers' representatives are elected every four years by personal, free, direct and secret ballot, and are informed of the relevant changes that may occur in the organization of work in the Entity, under the terms provided in accordance with the legislation in force.

Also, the banking sector collective agreement is applied to 100% of the workforce, except for members of senior management and top-level positions, complemented by the company collective agreements which build upon and improve the provisions of sector agreement, and which are entered into by the workers' legal representatives. In 2021, the banking sector entered into a new collective agreement which incorporated significant improvements for all the people making up this sector. It regulates aspects such as registration of working hours, digital disconnection and the update of salary tables and social benefits, boosting the construction of labor environments that promote equal opportunities, with an emphasis on the work/life balance, diversity, inclusion and digitalization.

In Mexico, freedom of association and local representation are respected. In accordance with the parameters indicated in the reform of the Federal Labor Law in 2019, the Bank has a process to comply with the requirements on collective matters that were incorporated for labor union organizations consisting of free, secret and direct voting. By the end of the year, 100% of the workforce was covered by a collective agreement.

However, the law in the United States and Turkey does not require the same application of agreements to the workforce.

In Peru and Argentina, freedom of association and commitment to labor rights are respected, and dialog and collective negotiation are greatly valued when it comes to reaching consensus and conflict resolution. In the case of Argentina, 100% of the workforce is covered by the collective agreement, except for members of senior management and top-level positions, maintaining a seamless communication with the internal trade commissions at the local level and with the sectors of the banking association at the national level.

In other countries such as Colombia, Venezuela, Uruguay and Portugal the Group's employees are covered by some form of collective agreement, with 100% of the workforce covered.

Occupational health and safety

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

The occupational risk prevention model in a number of the Group's countries, such as Spain, Mexico, Turkey, Colombia, Venezuela, Peru and Uruguay, is regulated by laws, conventions and agreements, such as the Law on Occupational Risk Prevention and the collective labor health agreement for the consultation and participation of workers in BBVA on occupational risk prevention matters in Spain, national legislation in relation to the approval of the assessment of the Occupational Health and Safety Policy and the Internal Health and Safety Regulation in Peru, the Political Constitution of the United States of Mexico, the Federal Labor Law, Regulations and Official Mexican Laws. Employees have the right to consult and participate in these areas through labor union representation or stakeholders on the different committees. The consultations on these matters are explained and those related to occupational health and safety are dealt with, tracking all the occupational risk prevention activity.

In Spain, the Bank has a preventive policy applicable to 100% of its staff, which is carried out primarily by the Occupational Risk Prevention Service. This service has two lines of action: a) the technical-preventive line, which involves, among other activities, carrying out of assessments of occupational risks (which are periodically updated), the preparation of action plans to eliminate or minimize the risks detected, monitoring of the implementation of action plans, and implementation of emergency and evacuation plans, training in health and safety, and coordination of preventive activities; and b) occupational medicine, which involves carrying out staff medical examinations, providing protection for particularly sensitive employees and equipping workplaces with appropriate ergonomic equipment, as well as carrying out preventive activities and campaigns to maintain and improve workers' health and contribute to the development of a culture of prevention and the promotion of healthy habits.

With the preventive and corrective measures resulting from these processes, the Prevention Service designs the action plans to eliminate risks or minimize them. Each of them details the actions to be implemented, as well as those responsible for their resolution and the timelines for it, which will depend on the quantification of the risk. Through an application, those involved in the implementation of the measures receive indications of the measures to be carried out, and report on their execution once complete.

Also, the preventive policy includes and covers the regulatory requirements and recognized standards for external staff who work in the Bank, for which one coordination procedure has been established for services and the other for works activities. In the case of coordination of activities with service suppliers, external companies are informed of the security and emergency measures present in the work centers. Companies are asked for documentary evidence of compliance with the Occupational Risk Prevention (PRL) regulations. In the case of coordination of activities with works suppliers, the procedure describes the different actions and steps to be followed in the coordination of health and safety and coordination of Business Activities according to the different types of works to be executed in BBVA branches, offices and work centers.

For the supervision and control of its employees' health, the Medicine Area of the Occupational Risk Prevention Service Work focuses on drafting medical protocols, carrying out medical examinations for staff, protecting particularly sensitive employees and adapting job positions with specific ergonomic material; as well as carrying out preventive activities and campaigns with the aim of maintaining and improving the health of the workers and contributing to the development of preventive culture and healthy habits.

Moreover, the corresponding apps have been developed allowing employees to manage their appointments from their work stations, complete the tests required through the tool and download the report of the health exam, always complying with all the requirements of the General Data Protection Regulation (GDPR) on this matter.

Mexico has a health and safety management system which is applied to 100% of the employees and all the work centers it has available. The workers' health services are available in the main headquarters, and the Medical Service has also implemented an initiative for remote and on-site assistance for all the collaborators and their beneficiaries registered in the Medical Service or in the higher medical expenses policy.

Colombia has an Occupational Health and Safety Management System which complies with current legal requirements and ensures a safe working environment for the workers. Also, through the National Risk Prevention Strategy all the organization's work centers are covered at national level and the different occupational health and safety needs are managed.

With respect to external personnel in the Group's facilities, there is a Contractors' Program which requires any hiring of staff from outside the company to include a certification of their Occupational Risk Insurer with the percentage of compliance with minimum standards applicable of the Occupational Health and Safety Management System.

In Argentina, the technical preventive controls are carried out with specialized consultants who work continuously advising and accompanying the corresponding areas so that the necessary preventive or corrective measures may be carried out with the aim of complying with all regulatory requirements.

In Spain there has been a gradual return in 2021 to medical checkups and the rest of the preventive activities which had been suspended by COVID-19. Worth noting with respect to the actions undertaken to deal with the pandemic is the role of the Prevention Service. From the start, in Spain measures have been established relating to the organization of work and secondments, as well as guides and protocols for action for employees, following the indications of the health authorities.

In 2021, measures were maintained to adapt the work centers so that they had the necessary control resources available, and thus eliminate or minimize the risk of contagion. Among these measures are: the installation of signage on hygienic procedures, methacrylate screens, facial screens, disinfection kits for employees in branches, and Personal Protective Equipment (PPE) and face masks for employees at certain work centers such as the Data Protection Center (CPD).

The distribution of masks, hydroalcoholic gels and gloves has also continued in branches offering services for the public, and a safety distance has been established between the work stations, while the branches have been provided with signage that indicate positions for people to guarantee the safety distance. Moreover, the specific cleaning procedures in the work centers have continued, including those carried out routinely and those performed as a result of positive cases.

The indication to telework has been maintained for the vulnerable group until September 1, when they were considered appropriate for on-site work, given the great progress made in the vaccination of the Spanish population against COVID-19. However, pregnant women have been maintained in this group; they are given the choice of whether or not to work on site.

With respect to the tests for detecting the virus, PCR and serological tests continued beyond what was established by the health authorities for employees who through the daily surveys declare they have symptoms compatible with infection by COVID-19, are positive, or have had close contact with positive cases.

In confirmed cases of COVID-19 infection, health status of the affected employees has been subject to special tracking, both those who were in their homes, as well as those hospitalized. The families of the employees whose health status was most serious is also monitored.

OCCUPATIONAL HEALTH (BBVA, S.A. NUMBER)

	2021	2020
Number of technical preventive actions	22,149	10,740
Number of preventive actions to improve working conditions	22,352	11,054
Employees represented in health and safety committees (%)	100	100
Abseentism rate (%)	3.4	3.9

In Mexico, 92% of all the employees responded to the daily health survey and to minimize the risk of contagion, hydroalcoholic gels, masks, wall thermometers and disinfection kits have been provided. Collaboration agreements have been concluded to carry out studies to detect COVID-19 among Group employees, and with suppliers of home and hospital care at critical times during the pandemic to ensure infected workers are treated. A medical team made of up 54 doctors has been created to track suspicious COVID-19 cases and infections, and 1,100 fortnightly tests have been carried out to detect COVID-19 among people who occupy mobility posts.

In Turkey, the Bank has also gradually resumed its medical checkups and other preventive activities, and a number of studies have been carried out in the area of managing emergencies, such as exhaustive practice drills and updates in emergency training. BBVA was for the second time awarded the Occupational Safety Award by the British Safety Council, one of the most respected authorities in the world on occupational health and safety. It also received the Best Country Award for its performance in the corporate management of occupational health and safety, making it the first and only bank to have received these awards in Turkey.

In Colombia there has been a gradual return to the corporate headquarters, depending on the specific risks in each location, and not including personnel considered vulnerable. This has been done through a hybrid system of work which has mitigated the risk, ensuring business continuity and improving the organization of work. Actions have also been implemented to contain COVID-19, in particular participation in the Private Vaccination Plan, thus ensuring the vaccination of over 91% of the workforce. In addition, compliance with the National Risk Prevention Strategy involved the development of occupational risk promotion and prevention in each work center. Three workshops focused on emotional management were run and employees were provided with the tools to focus better on their daily activities and reduce their states of anxiety.

In Peru, through the Occupational Health and Safety and BEX COVID teams, the Bank has applied the prevention and health care protocols, implementing programs to carry out tests detecting possible positives and tracking confirmed COVID-19 cases.

In Venezuela, the COVID-19 containment plans and protocols have been reinforced, maintaining the tracking of suspicious and positive cases, providing medical care at home (with delivery of medicines), together with remote medical and psychological assistance, and running a vaccination campaign for employees. The Group's Occupational Health Portal has also been kept up to date with respect to COVID-19 information, procedures and guides, demonstrating real efficiency as a communication channel during all this exceptional period.

In all the above, the Group's goal has been to preserve the health of its employees and families, customers and society in general, and to implement plans to update and improve data-driven decision-making. As in the case of 2020, the BBVA work centers and environments have been kept safe.

By countries, in 2021, 25,502 technical-preventive actions were carried out in Spain, 40,384 in Mexico, 7,168 in Colombia, 2,710 in Argentina, 3,919 in Peru, 24 in Venezuela, 414 in Uruguay, 427 in Turkey. In terms of preventive actions to improve work conditions, 23,930 actions were carried out in Spain, 40,384 in Mexico, 5,939 in Argentina, 866 in Colombia, 21 in Peru, 414 in Uruguay, 128 in Venezuela and 494 in Turkey. For its part, in the USA neither technical-preventive actions nor preventive actions have been carried out to improve working conditions in 2021.

VOLUME AND ABSENTEEISM TYPOLOGY OF EMPLOYEES (BBVA GROUP)

	2021			2020		
	Total	Male	Female	Total	Male	Female
Number of withdrawn	46,489	17,700	28,789	85,979	33,485	52,494
Number of absenteeism hours (1)	4,443,907	1,492,708	2,951,199	6,010,098	2,692,741	3,317,357
Number of accidents with medical withdrawn	167	56	111	191	67	124
Frequency index (%)	0.9	0.6	1.1	0.9	0.7	1.1
Severity index (%)	2.9	2.1	3.5	2.5	2.2	2.7
Incidence rate (%)	1.5	1.1	1.9	1.6	1.2	1.9
Absenteeism rate (%) (2)	2.4	1.7	3.0	2.0	1.8	2.2

(1) Total withdrawn hours by medical leave or accident during the year.

(2) 2020 data differ from those reported in the Non-financial information report of 2020 due to additional amendments.

In 2021, BBVA recorded a total of 167 cases of work-related accidents involving medical leave across the entire Group (only one out of every 100 cases of leave are due to accidents), most of them involving commuting accidents, which is 13% less than the previous year. Additionally, in 2021, there were no deaths due to work-related accidents in the Group.

Spain itself did not register any case of occupational disease. The number of accidents was 114, of which 41 entailed medical leave and 73 did not, indicating a very low rate of work-related accidents, with levels below the sector average. Thus, the Bank's severity index is 0,04 (0.03 men and 0.05 women) in 2021, while the frequency index is 0.89 (0.64 men and 1.12 women). In the case of accidents with medical leave, the main types of injuries have been sprains and strains, superficial injuries and foreign bodies in the eyes and closed fractures.

BBVA considers that occupational health and safety training is one of the main channels for raising awareness and the skills of employees to carry out their activity with better health and safety protection. For this reason training actions have been planned in coordination with the training teams in the geographical areas. In Spain, 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 in each specific subject of the training, with specialists from the Prevention Service also taking part in the training of some groups. The Training Plan has courses such as online introductory and advanced occupational risk prevention courses, road safety courses, specific courses for members of the emergency equipment teams, first-aid courses, courses on handling defibrillators, practical fire prevention courses for EPIEs and emergency management, and courses on Personal Risk Situations. A decision was also made on what training is considered mandatory. In Mexico, Civil Protection courses and various Occupational Risk Prevention courses are taught. On the occasion of COVID-19, the training of some groups was encouraged to carry out the training of Monitors for Healthy Return. In Turkey, various occupational health and safety training courses are given to employees, some dealing with general occupational health and safety issues and others dealing with a specific risk, such as working at height or telecommuting. In other countries, such as Peru, Uruguay, Venezuela, Chile and Portugal, employees also have mandatory e-learning courses on occupational health and safety which promote this specific training.

Remuneration

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

These Policies are based on the same principles and are oriented towards the recurring generation of value for the Group, the alignment of the interests of its employees and shareholders with prudent risk management and the development of the strategy defined by the Group. The Remuneration Policies are part of the elements designed by the Board of Directors as part of BBVA's Corporate Governance System to promote adequate management and supervision of the Group, and are based on the following principles: the creation of long-term value; the achievement of results based on a prudent and responsible assumption of risks; the attraction and retention of the best professionals; to reward the level of responsibility and career path; to ensure internal equity and external competitiveness; to ensure pay equality between men and women; and to ensure the transparency of the remuneration model.

These principles are developed in such a way that the Policies:

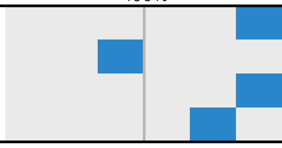
- Contribute to BBVA Group's business strategy and to the achievement of the goals, values, interests, value creation and long-term sustainability.
- Are consistent and promote sound and effective risk management, not offering incentives to encourage taking risks that exceed the level set by the Group,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

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

- A fixed remuneration, constituting a relevant part of the total compensation, which takes into account the level of responsibility, the functions performed and the professional career of each employee, the principles of internal equity and the value of the function in the market.
- A variable remuneration constituted by those payments or benefits additional to the fixed remuneration, monetary or not, that revolve around variable parameters. This remuneration must be linked, in general, to the achievement of previously established objectives. All Group employees have a corporate variable remuneration model, which is complemented by sales incentive models, specific to certain business area groups. For all of them, some financial and non-financial indicators of the Group are defined, which are aligned with the strategic priorities and serve as management parameters to determine the payment of variable remuneration based on the degree of compliance with BBVA's strategy.

In 2021, the level of achievement of the Group's indicators has resulted in 122%, based on the result obtained from each of the financial and non-financial indicators. The level of achievement of the Group's financial indicators for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (AVR) (MEASUREMENT PERIOD 2021) (BBVA GROUP. 2021) - FINANCIAL INDICATORS

Annual Evaluation Financial Indicators	Results		Level of achievement	
	2021 (1)	2020 (2)	2021 Target (3) 100%	%
Net Attributable Profit without corp. transactions (millions of euros)	5,028	3,084		150
Tangible Book Value per share (TBV per share) (euros)	6.55	6.15		97
RORC (%)	14.03	6.76		150
Efficiency Ratio (%)	45.51	46.82		123

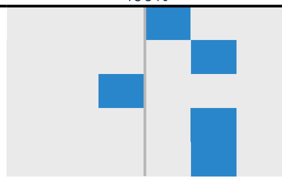
(1) Results approved for incentive purposes (not including the results generated until June 2021 by BBVA USA and the rest of the companies sold to PNC, nor the impact of BBVA's restructuring plan in Spain).

(2) In 2020 the executive directors renounced the generation of the AVR for the year. For comparison purposes, the result of the remuneration indicators for the rest of the staff is shown.

(3) The 2021 targets were approved at the beginning of 2021. At that time, despite the context marked by the high impact of the economic crisis originated by COVID-19 and the high uncertainty regarding the prospects for recovery, the Corporate Bodies determined targets for the calculation of the 2021 AVR that were above the analysts' consensus, which in the case of the Net Attributable Profit was set for 2021 at 2,944 million of euros.

For non-financial indicators, the objectives are determined for each of the countries. The Group's level of achievement of each non-financial indicator for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (AVR) (MEASUREMENT PERIOD 2021) (BBVA GROUP. 2021) - NON-FINANCIAL INDICATORS

Annual Evaluation Non-financial Indicators	Level of achievement	
	2021 Target 100%	%
Customer satisfaction (NPS)		101
Mobilization of sustainable financing		120
Digital sales		99
Target customers		115
Transactional linking of company clients		129

In 2021 a new indicator related to sustainability was incorporated (Mobilization of sustainable finance) to calculate the annual variable remuneration, directly associated with the activity carried out by the Group in compliance with its commitments to the market on climate change and in line with the strategic priority of helping customers in their transition to a sustainable future. The Group is driving the incorporation of metrics related to sustainability and ESG risks in the variable remuneration schemes of its employees, BBVA Senior Management and the BBVA executive directors.

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

AVERAGE REMUNERATION (1) BY PROFESSIONAL CATEGORY (2), AGE STAGES AND GENDER (BBVA GROUP. EUROS)

	2021						2020					
	< 25 years		25-45 years		> 45 years		< 25 years		25-45 years		> 45 years	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management team(3)(4)	—	—	51,432	42,796	90,390	61,800	—	—	63,033	50,756	106,962	70,483
Middle controls(3)	—	—	27,850	16,818	54,019	35,649	—	—	36,457	22,129	63,574	46,052
Specialists	10,151	8,813	19,708	17,276	32,781	28,382	11,974	9,682	23,610	20,352	37,644	34,425
Base positions	5,618	5,282	12,416	12,094	32,280	32,194	7,895	7,647	15,064	15,310	35,813	34,836

(1) Considering fixed remuneration.

(2) The professional categories reflected in this table differ from those included in the rest of the chapter. The category Sales force is included in each of the remaining categories presented in this table.

(3) There is no information both in the Management team and the Middle controls in the segment under 25 years due to insufficient sample.

(4)This Group does not include the Top Management.

AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY [1] GENDER AND COUNTRIES WITH SIGNIFICANT OPERATIONS (EUROS)

	2021				2020			
	Management team[2]	Middle controls	Specialists	Base positions	Management team[2]	Middle controls	Specialists	Base positions
Spain (BBVA,S.A.)								
Male	120,836	67,859	47,330	41,764	117,091	67,403	47,133	42,547
Female	106,558	63,503	43,988	38,907	105,851	62,692	43,899	38,919
Mexico								
Male	144,431	68,948	15,453	5,497	129,274	65,047	14,887	5,269
Female	107,592	55,567	13,637	5,653	93,406	53,233	12,839	5,317
Turkey								
Male	28,032	10,140	7,971	3,902	47,160	18,184	13,638	6,025
Female	27,370	8,888	6,822	3,943	40,567	14,864	11,470	6,088
Colombia								
Male	74,358	31,723	15,195	9,746	71,988	34,332	15,754	10,070
Female	46,037	29,605	13,992	8,591	47,417	31,574	14,751	9,056
Peru								
Male	119,706	30,015	17,110	5,020	115,248	28,362	16,205	5,941
Female	93,769	25,691	14,429	4,569	79,771	24,695	13,872	4,848
Argentina								
Male	81,587	34,782	21,701	17,153	60,988	25,769	16,487	13,056
Female	80,712	30,365	19,165	16,070	59,159	22,364	14,568	12,250
Venezuela								
Male	306	245	143	66	220	165	100	73
Female	302	229	144	68	201	149	99	73
Chile								
Male	107,004	38,223	12,363	9,169	119,114	40,883	13,664	7,832
Female	71,799	29,206	10,110	8,193	84,059	28,682	11,427	8,490
Uruguay								
Male	145,458	63,288	38,986	24,284	220,984	54,808	32,045	22,892
Female	111,306	61,161	31,698	23,319	128,327	49,423	27,272	21,269

(1) The professional categories reflected in this table differ from those included in the rest of the chapter. The category Sales force is included in each of the remaining categories presented in this table.

(2) It excludes the Top Management.

The differences observed in the average remunerations of certain professional categories arise from factors such as the length of service and their composition; they are not representative of the wage gap. This is due to the fact that only four professional categories are being used, and in each of them very diverse positions with very different remunerations are included. Therefore, the average remuneration of each category is affected by issues such as the different distribution between men and women in the most valued positions, or the higher proportion of women in countries where the average remuneration is lower.

The main differences produced in the different bands reported between years in average remuneration in BBVA Group are due to exchange-rate variations in 2021 in the main geographical areas in which the Group operates, as well as the removal from the perimeter of BBVA USA.

In the case of executive directors and members of BBVA Senior Management who held their positions on December 31, 2021, 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 members of Senior Management the amounts are presented as an aggregate. The average total remuneration of Senior management in 2021 was 1,425 thousand euros for men and 1,244 thousand euros for women.

Wage gap

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

The wage equality ratio can be obtained from the average remuneration tables above. The ratio is expressed as a percentage, and calculated as the difference in total average remuneration between men and women with the same professional category, over the total average remuneration of men. However, this ratio does not take into account the concept of a position of equal value in the Group.

BBVA's remuneration model defines certain job positions on which remuneration pivots. Each of these positions has a single theoretical value determined by a variety of factors, such as level of responsibility, complexity of the function, impact on results, etc. In the same way, each position has a unique defined value linked to the achievement of pre-defined objectives.

The concept of a position of equal value is reflected in the calculation of the wage gap that compares the total remuneration received by men and women who occupy positions of equal value in the Group.

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

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

As of December 31, 2021 and 2020, the salary gap by professional categories of equal value is as follows[12]:

WAGE GAP (PERCENTAGE)	2021	2020
Spain (BBVA,S.A.)	3.6	4.3
Mexico	(0.6)	(0.3)
Turkey	(0.7)	(0.7)
Colombia	0.6	0.4
Peru	0.4	1.4
Argentina	2.6	1.8
Venezuela	(0.9)	0.7
Chile	(1.9)	(3.0)
Uruguay	2.4	4.5
BBVA GROUP	**0.6**	**1.1**

In 2021 a number of initiatives were launched to support gender diversity, with the aim of balancing the professional possibilities between men and women: setting gender diversity targets at area and country level, supported by a specific diversity plan; more active work to incorporate more women into the talent selection processes; and a flexible working environment in which men can assume family responsibilities to an equal extent as women, so that this does not represent a professional obstacle for women.

Additional information related to remuneration

Annual total compensation ratio

The annual total compensation ratio is calculated for the employees of BBVA, S.A. located in Spain, as the place where the Group's headquarters are located, and in Mexico, Turkey, Colombia, Peru, Argentina, Venezuela, Chile and Uruguay, as the ratio between the annual total compensation (fixed remuneration plus accrued variable remuneration and contributions to pensions) of the highest paid person in each of the geographical areas and the median annual total compensation (fixed remuneration plus accrued variable remuneration plus pension contributions) of all employees earning full-time annualized remuneration, excluding the best-paid person.

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

The annual total compensation ratios for 2021 are as follows:

ANNUAL TOTAL COMPENSATION RATIO

	2021	2020
Spain (BBVA, S.A.)	129.0	80.9
Mexico	232.3	180.0
Turkey	213.6	138.7
Colombia	98.8	68.3
Peru	89.7	57.7
Argentina	76.8	48.5
Chile (1)	103.7	—
Uruguay	9.2	7.1

(1) New Country Manager in 2021. Not provided in 2020 as the position was vacant.

In 2021, the annual total compensation ratio increased on the 2020 figure in all geographic areas. This is because in 2020, the best paid person in each geographic area had relinquished their variable remuneration corresponding to the 2020 financial year, which reduced the annual total compensation for the year.

Percentage increase in annual total compensation ratio

The percentage increase in annual total compensation ratio is calculated as the ratio between the increase in annual total compensation (fixed compensation plus accrued variable compensation and contributions to pensions) of the best paid person in each of the geographical areas and the percentage increase in the median total annual compensation (fixed compensation plus accrued variable compensation and pension contributions) of all employees in the same geographical area, using full-time annualized compensation, excluding the best paid person.

The annual total compensation of the highest paid person in 2021 increased more than the increase in annual total compensation of the rest of employees in all the geographical areas, because the best paid person in each of the areas had relinquished their variable remuneration for 2020.

In the case of BBVA, S.A. in Spain, for 2021, the increase in the annual total compensation of the best paid person is 5.2 times higher than the increased median annual total compensation of the rest of the employees; in Mexico the figure is greater by 2.7 times, in Turkey 3.4 times, in Colombia 10.4 times, in Peru 6.7 times, in Argentina 2.7 times, and in Uruguay 5 times.

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. It is worth noting that this minimum salary has been assumed as the Living Wage by the international UN body, the International Labor Organization (ILO).

The salary ratio of the standard initial category is calculated as the quotient of the salary of the initial category between the minimum salary in the geography.

As shown in the table below, in the main geographic areas where the Group operates, the entry-level remuneration is higher in BBVA than the local legal minimum wage in these nine geographic areas:

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

	2021		2020	
	Male	Female	Male	Female
Spain (BBVA, S.A.)	1.4	1.4	1.4	1.4
Mexico	1.1	1.1	1.5	1.5
Turkey	1.3	1.3	1.3	1.3
Colombia	2.4	2.4	2.4	2.4
Peru	1.3	1.3	1.3	1.3
Argentina	3.7	3.7	3.8	3.8
Venezuela	2.1	2.1	1.0	1.0
Chile	1.5	1.5	1.5	1.5
Uruguay	3.2	3.2	3.2	3.2

Percentage of employees receiving regular performance and career development reviews

Performance assessment 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 employees of the Group.

Percentage of total remuneration of the employees covered which is variable and linked to the volume of products and services sold

In compliance with the applicable regulations on customer protection, BBVA Group's General Remuneration Policy reflects the requirements and principles applicable to personnel that engage in activities related to the sale of products and provision of services to customers.

In this respect, the design and implementation of the remuneration these employees in BBVA Group ensures the protection of customer interests and the quality of the services provided, to ensure that:

- it fosters responsible business conduct and fair treatment of customers;
- incentives are not established that may induce staff to put their own interests or those of BBVA Group first, to the possible detriment of the interests of their customers;
- remuneration is not primordially or exclusively linked to the sale of a product, or a category or specific type of product, such as products that are more lucrative for the entity or employee, when there are others more in line with customer needs; and that this objective is not set as that with greatest weight in the remuneration package; and
- an appropriate balance is maintained between the fixed and variable elements of the remuneration.

Description of the remuneration structure of the originators of loans

BBVA Group does not have a specific remuneration structure established for originators of loans. Its 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.

Pensions and other benefits

BBVA has social welfare systems, differentiated according to the geographical areas and coverage it offers to different groups of employees, not establishing differences due to gender or personal aspects of any other kind. In general, the social welfare system is a defined contribution system for retirement. The Group's Pension Policy is compatible with the Company's business strategy, objectives and long-term interests.

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

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

In 2021, the Bank in Spain made a payment of €26m (€27.2m in 2020) in savings contributions to pension plans and life and accident insurance premiums, of which €14.3m corresponded to contributions for men and €11.7m for women (in 2020, €15.2m and €12.0m, respectively). This payment accounts for more than 95% of Spain's pension expenditure, excluding special systems. On average, the contribution received by each employee was 1,049 euros in 2021 (1,186 euros for men and 918 euros for women), compared with 1,076 euros in 2020 (1,224 euros for men and 932 euros for women).

Volunteer work

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

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

In this respect, voluntary work constitutes a key element for development the approaches and lines of work in Engagement with the Community 2025 (explained in the "Contribution to society" chapter in this report). 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. BBVA also boosts cooperation and collaboration through commitments and alliances for sustainable and inclusive development (SDG 17).

The volunteer work activities are aligned with the BBVA purpose and values that guide its actions.

Overall, 9,066 BBVA employees participated in the volunteer work initiatives promoted by the different Group subsidiaries in 2021, having dedicated more than 26 million hours (69% during working hours and 31% outside working hours). The time dedicated by employees in 2021 is equivalent to a contribution of €277 thousand.

In addition, BBVA promotes an engaged, diverse and egalitarian organization interested in matters such as its employees' safety. Other information on the Group's performance with respect to our employees in 2021 appears in the chapter "Society" in this report.

2.2.4 Shareholders & investors

BBVA is engaged in ongoing dialog with its shareholders and investors to ensure they are aware of the issues that may be of interest to them when exercising their voting rights and making decisions. BBVA's Investor Day was held in 2021 as part of the Bank's commitment to its shareholders and investors.

BBVA publishes continuous, periodic and relevant information in a timely fashion, promoting transparency and truthfulness in the information reported to shareholders and investors and equal treatment between shareholders, and establishing channels of communication, participation and dialog with shareholders and investors.

The Annual General Meeting (hereafter AGM) in 2021 received an AENOR certification for sustainable events for the fourth year in a row. The certification demonstrates that BBVA has planned the design, organization and development of the Annual General Meeting taking into account the potential environmental, social and economic potential of the event. Likewise, it demonstrates BBVA's commitment to the sustainability criteria required by the UNE-ISO 20121 standard on the management of sustainable events. The award of this demanding and prestigious certification puts BBVA among the leading organizations in this respect in Spain.

In addition, the 2021 AGM was certified as carbon-neutral for the second year in a row. BBVA offset 41.6 tons of CO_2 of emissions in this event through a contribution to the environmental project for the conservation of Amazonia in Madre de Dios, Peru.

Finally, at the 2021 AGM and with the aim of mitigating the effects of COVID-19, BBVA made a contribution to a non-profit social project in Spain. The 14,000 shareholders who took part in the process voted to choose one area of impact from the four spheres of activity to which a donation of €300,000 should be targeted: social inclusion, education, health and dependency. The winning projects received a fixed and variable amount depending on the votes obtained.

2.2.5 Society

BBVA promotes the development of the societies and communities where it operates through community investment initiatives and activities and acts as a driver of opportunities for people to make reality its purpose of "to bring the age of opportunity to everyone".

Contribution to society

Community Commitment

In 2021, BBVA presented its Community Commitment, by which €550m will be allocated between 2021 and 2025 to social initiatives supporting inclusive growth in the countries where the Group operates. This commitment is a response to the most important social challenges and aims to contribute to a sustainable and inclusive recovery. The plan is structured around three main scopes of action to comply with specific Sustainable Development Goals (SDGs): reducing inequality and promoting entrepreneurship (SDGs 8 and 10), providing opportunities for all through education (SDG 4) and supporting research and culture (SDGs 9 and 11). BBVA also boosts cooperation and collaboration through commitments and alliances for sustainable and inclusive development (SDG 17).

In 2021, the BBVA Group allocated €106.3m to investment in the community, with 44.2 million beneficiaries. This figure accounts for 2.28% of the adjusted net attributable profit and is 25% down on 2020, when there was an extraordinary contribution for COVID-19 of €35.7m.

BBVA puts this community contribution commitment into practice through its local banks and foundations, as well as supporting other foundations such as the BBVA Foundation (FBBVA) and the BBVA Microfinance Foundation (FMBBVA). The foundations play a key role in this respect through their community investment.

The FBBVA focuses its activity on generating knowledge. Expanding the frontiers of inherited 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 FMBBVA was established in 2007 by BBVA under the framework of its corporate social responsibility to support vulnerable entrepreneurs through a commitment of €200m and its more than 160 years of experience. It is now the biggest contributor to development in Latin America and the second biggest in the world, according to the Organization for Economic Cooperation and Development (OECD). It is also the foundation that contributes more to development for gender equality than any other in the world, according to the OECD, with a direct impact on SDG 5.

The figure below shows the investment in the community for the year within the framework of the Community Commitment, as well as a comparison with respect to the previous year by geographical area and foundations.

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

	2021	%	2020	%
Spain and corporate areas	21.0	20	29.6	21
The United States [2]	0.0	0	16.5	12
Mexico	48.5	45	55.1	39
Turkey	5.1	5	7.6	5
South America	2.2	2	3.6	3
Foundatios	29.4	28	29.7	21
Total	**106.3**	**100**	**142.2**	**100**

(1) In order to calculate the Commitment and the investment figure in the 2021 community, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that offers a framework for measuring the social and environmental investment that companies make beyond your business. In 2021, the investment figure for the community is broken down in the form of contribution in money (76,6%), management costs (21,2%), time (0,3%) and in kind (1,9%). Likewise, when we analyze the motivation for the contribution in money, this is the breakdown in 2021: 3% one-off contribution, 86% social investment and 11% initiatives aligned with the business.

(2) BBVA has sold its subsidiary in the United States in 2021. Therefore, it has not made any contribution to the community in that country.

The targets for 2025 and the progress made during the year with respect to investment and beneficiaries of the Community Commitment by focus of action are shown next.

GOALS AND PROGRESS RELATED TO THE DIRECT BENEFICIARIES OF THE COMMUNITY COMMITMENT (1) (MILLIONS OF EUROS AND MILLION PEOPLE. 2021)

	Community investment(2)		Beneficiaries(3)	
	2025 Goal	2021 Progress	2025 Goal	2021 Progress
Reduce inequalities and promote entrepreneurship	155.0	15.5	21.7	13.7
Create opportunities through education for everyone	215.0	58.4	53.3	22.3
Support research and culture	180.0	27.1	25.0	8.2
Total (4)	**550.0**	**101.1**	**100.0**	**44.2**
Other	—	5.2	—	0.0
Total (5)	**550.0**	**106.3**	**100.0**	**44.2**

(1) and (2) In order to calculate the Commitment and the investment figure in the 2021 community, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that offers a framework for measuring the social and environmental investment that companies make beyond your business. In 2021, the investment figure for the community is broken down in the form of contribution in money (76.6%), management costs (21.2%), time (0.3%) and in kind (1.9%). Likewise, when we analyze the motivation for the contribution in money, this is the breakdown in 2021: 3% one-off contribution, 86% social investment and 11% initiatives aligned with the business.

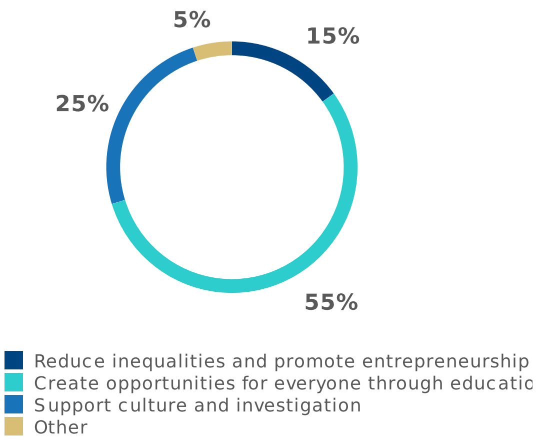
(3) To calculate the Commitment and the number of beneficiaries in 2021, BBVA uses the Business for Societal Impact (B4SI) methodology, an international standard that offers a framework for measuring the social and environmental investment that companies make beyond their business. In 2021, the number of beneficiaries is broken down as follows: 13% direct beneficiaries, 19% indirect beneficiaries and 68% content beneficiaries (unique users).

(4) Goals and progress on social investment and people reached according to the BBVA Community Commitment 2025 for the focus for action prioritised.

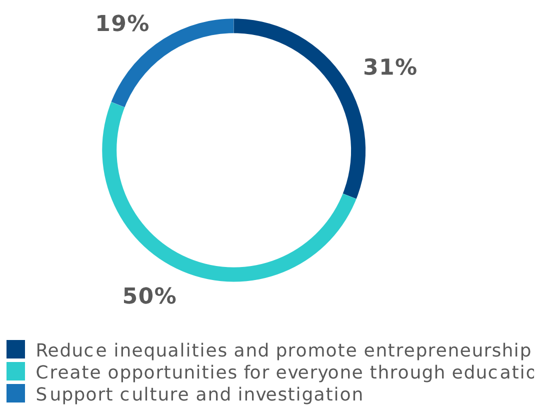
(5) Social investment and beneficiaries not aligned to the focus for action of the BBVA Community Commitment 2025.

Next comes a breakdown of investment and the beneficiaries in 2021 by focus of action, as a percentage:

COMMUNITY COMMITMENT INVESTMENT BY LINE OF ACTION. 2021



BENEFICIARIES OF THE COMMITMENT TO THE COMMUNITY BY LINE OF ACTION. 2021



The lines of action of the Community Commitment are shown next:

Focus 1: Reduce inequality and promote entrepreneurship

The arrival of the COVID-19 pandemic in 2020 led to an unprecedented social and economic crisis. Among the challenges faced by society are the worrying increase in poverty, vulnerability and inequality. At the same time, the lack of jobs has aggravated the existing social challenges. This reality requires a global response to develop initiatives geared to promote a sustainable and inclusive recovery.

In 2021, €15.5m were allocated to initiatives designed to reduce inequality and promote entrepreneurship, impacting on SDG 8 and SDG 10. A total of 13.7 million people have benefited directly from this focus of action.

The lines of action of this focus are geared to:

– Reduce social and economic equality through initiatives that provide access to basic goods and services necessary to guarantee the social welfare of people, and in particular of the most vulnerable groups; provide training in financial education to empower the population and improve people's financial resilience; and train people in digital skills to improve aspects such as financial inclusion, employability and digital security. In 2021, BBVA invested €7.52m and benefited 2.28 million people directly. In particular, it has trained 709,644 people in financial education, field of action in which BBVA has a long-term commitment, investing €94.7m and benefiting 16.5 million people in a variety programs since 2008. In addition, 1.57 million people have benefited directly from initiatives to combat inequality.

- Support vulnerable entrepreneurs with financial and non-financial solutions and provide advice and skills training for their business through the activity of the FMBBVA. In 2021, the FMBBVA supported 2,733,199 vulnerable entrepreneurs through digital solutions to make their business grow (through loans and other products) and strengthen their skills to access the best opportunities. More than 8.3 million people have benefited indirectly from the support given to these entrepreneurs. To date, a volume of €1,114m in microcredits has been paid out, and from 2021 to 2025, a commitment has been made to deliver a further €7 billion to support a total of 4.5 million entrepreneurs.
- Support other entrepreneurs and SMEs through initiatives to contribute to their consolidation and/or growth and to the development of capacities such as innovation, digital transformation and sustainable management of their businesses. Moreover, in 2021 BBVA allocated €1.5m to entrepreneurship initiatives which benefited 14,115 entrepreneurs and SMEs through initiatives such as BBVA Momentum in Mexico, Women Entrepreneur in Turkey and Mi Primera Empresa in Argentina, which have also provided content to 280,558 people who have accessed them.

Focus 2: Create opportunities for all through education

Education is the driving force for growth in society and a source of opportunities to contribute to the inclusive growth in the countries where BBVA operates.

The pandemic has increased existing educational inequalities and demonstrated the existence of great challenges in the area of education, such as digitalization and adaptation of the educational systems, universal access to quality education and the fostering of free and accessible educational resources.

In 2021, BBVA invested €58.4m in educational initiatives benefiting 22.3 million people. Specifically, BBVA has contributed to the quality education of 409.064 people. The activities of this focus have a direct impact on SDG 4.

The lines of action of this focus are geared to:

- Close the digital education gap and adapt schools to guarantee educational continuity. In 2021, a total of €1m was allocated to initiatives geared to promote connectivity, provide access to digital devices and training in digital skills in the world of education, benefiting directly 72,514 people. Notable among these initiatives is the Connected Education program in Spain, in collaboration with Fad, which benefited 14,336 people in 2021, including students, teachers and other participants in the educational community.
- Support access to quality education, offering grants for access to education, programs to develop values and skills, collaboration with public educational systems and programs to support higher education and professional training. In 2021, €44.4m were invested in this line of action, and 301,820 people benefited directly from grant programs in Mexico, Uruguay and Venezuela; educational programs in Argentina, Colombia and Peru; teacher training programs in Turkey; and FBBVA educational programs.
- Offer a quality, accessible and useful education for all. In 2021, €13m was invested in this line of action, benefiting directly 34,979 people, and more than 21.9 million people had access to current content related to education, finance, sustainability, science and innovation, etc., through programs such as "Aprendemos Juntos" (Learning Together), FBBVA open education programs and financial education and BBVA Research blogs.

Focus 3: Support research and culture

The promotion of research provides a response to the economic and environmental challenges and boosts respect for culture and local values. BBVA has a long record of fostering research and culture, in particular through the activity of FBBVA.

In 2021, BBVA allocated €27.1m to help provide access for 8.2 million people to research and culture, impacting SDG 9 and SDG 11.

The lines of action of this focus are geared to:

- Support researchers and creators in the field of science, culture and the economy through grants, recognitions and financial assistance. In 2021, 224 people received financial assistance for the development of their research or cultural creations. The direct promotion of scientific research is one of the levers of the FBBVA, along with the dissemination of knowledge generated through conferences and digital spaces, and the recognition of talent through awards such as the BBVA Foundation Frontiers of Knowledge Awards. Among the initiatives promoted in 2021 by FBBVA in this area are the Leonardo Grants (59), and grants for scientific research projects (39). Other programs of note are the Beca de Arte art grant in Mexico and support for researchers in financial education through grants in BBVA's Center for Education and Financial Capabilities. Additionally, 1.13 million people have had access to the knowledge generated with these investigations.
- Increase the publicity given to research through events and other acts to bring the most advanced knowledge within the reach of all and at the service of society. In 2021, 5.2 million people have accessed these contents in a variety of spaces for the dissemination of knowledge and culture.
- Support cultural institutions through collaboration with key organizations for the promotion of cultural activities to make access to them possible by the whole of society. In 2021, the FBBVA enhanced the cultural creation of excellence through cycles of concerts at its headquarters in Madrid and Bilbao. It also collaborates with the Guggenheim Museum Bilbao, the Juan Miró Foundation and the Thyssen-Bornemisza Museum (through its digital program), as well as the Teatro Real, Gran Teatre del Liceu, ABAO Bilbao Ópera, the Orquesta Sinfónica de Madrid and the Reina Sofía School of Music for the training of performing artists. There are also programs for preserving the architectural heritage in Peru and activities for cultural promotion through SALT (the platform founded with the aim of promoting the spread of culture, art, research, etc.) in Turkey. In total, 1.87 million people have benefited from these cultural activities.

Other contributions to society

BBVA's community support extends to other important activities, such as volunteer work (more information in the section “Employees” of the chapter "Our stakeholders" of this report), support for foundations and non-profit organizations and the promotion of corporate responsibility through participation in a number of working groups and the acquisition of commitments and alliances for sustainable and inclusive development (SDG 17). (More information in the section "Participation in international initiatives" in the "Climate change report" chapter of this report).

In relation to contributions to foundations, associations and other non-profit entities, the global amount of contributions to foundations and non-profit organizations in 2021 was €19.08m. In 2021, the BBVA Group[13] made:

- 289 donations to foundations and non-profit organizations for an amount of €10.84m, including both one-off contributions and those which contribute to social programs.
- 324 contributions, of a non-social nature, to foundations, associations, lobbies, think-tanks and other non-profit entities for an amount of €8.24m.

Compliance

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

The Code of Conduct establishes the duty of respect for applicable laws and regulations for all its members in an integral and transparent manner, with the prudence and professionalism that correspond to the social impact of financial activity and to the trust that shareholders and customers have placed in BBVA.

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

The Compliance function has its own statute, approved by the Board of Directors after analysis by the Risk and Compliance Committee, the most recent update of which was approved in 2021 by the aforementioned Corporate Bodies, in order to keep it aligned at all times with the external and internal regulatory framework, as well as with the changes in the organizational structure of the Group and with the tasks and responsibilities of the members of the function, aligned with the expectations of the different interest groups.

Mission and scope of action

The tasks of the Compliance function include:

- promoting a culture of integrity and compliance within BBVA, as well as the knowledge by its members of the external and internal rules and regulations applicable to the above matters, through the development, advisory, dissemination, training and awareness programs, fostering the proactive management of compliance and conduct risk; and
- defining and promoting the implementation and total ascription of the Organization to the risk management frameworks and measures related to these issues.

In order to perform its functions adequately, Compliance maintains a configuration and systems of internal organization in accordance with the principles of internal governance established under the European guidelines for this matter. Its configuration, and development of the activity is attached to the principles established by the Bank for International Settlements (BIS), as well as the reference regulations applicable to Compliance and Conduct issues.

In order to reinforce these aspects and, specifically, the independence of the control areas, BBVA has the Regulation & Internal Control area, which reports to the Board of Directors through the Risks and Compliance Committee, and in which the Compliance unit is integrated. Its activity is periodically supervised by the Risks and Compliance Committee and is subject to the supervisory oversight of the authorities with competence in this area.

Organization, internal government and management model

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

The functions carried out by the various Compliance officers relies on a set of departments specialized in different activities which, in turn, have their own designated officers. Thus, among others, the function is addressed by individuals responsible for each discipline related to Compliance and Conduct Issues, for the definition and articulation of the strategy and the management model of the function, or for execution and continuous improvement of the area´s internal operational processes.

[13] Turkey and Uruguay not included

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

- Carrying out a compliance and conduct risk assessment inherent to the Group's activity.
- Drafting and implementing internal regulations on its matters.
- Establishing systems, technological tools and data for risk management.
- Advising the Organization on Compliance and Conduct matters to manage the risks derived from them.
- Establishing mechanisms for the monitoring and verification of compliance with internal regulations that allow the measurement of the management of Compliance and Conduct risk and its adequate verification.
- Management of whistleblowing channels in the different jurisdictions.
- Periodically reporting information related to Compliance and Conduct issues at the different levels of the Organization.
- Representing the function before regulatory bodies and supervisors in matters of compliance.

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

For this purpose, Compliance has a global model for managing said risk, which, with an integral and preventive approach, has evolved over time to reinforce the elements and pillars on which it is based and to anticipate the developments and initiatives that may arise in this area.

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

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

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the organization.
- A set of policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls to enforce these policies and procedures.
- A technology infrastructure focused on monitoring and designed to guarantee the above objective.
- Communication and training systems and programs implemented to raise employee awareness of the applicable requirements.
- Indicators that allow for the supervision of global model implementation.
- Independent periodical review of effective model implementation.

Throughout 2021, work continued on strengthening the documentation and management of this model. Among these actions taken were a review and update of aspects of Compliance within the Group's risk appetite framework (RAF) and the review and update of the global types of Compliance and Conduct risk at both a general level and across the various geographical areas. The framework for conduct and compliance indicators also continues to be strengthened in order to improve the early detection of this type of risk.

The effectiveness of the model and of compliance risk management is continuously subject to various different and extensive annual verification processes, including the testing activity carried out by the Compliance units, BBVA's internal audit activities, the reviews carried out by prestigious auditing firms and the regular or specific inspection processes conducted by the supervisory bodies in each of the geographies.

Moreover, in recent years, of the most relevant axes of application of the compliance model has focused on the digital transformation of BBVA. For this reason, in 2021 the Compliance unit continued to maintain governance, supervision and advisory mechanisms for the activities of the areas that promote and develop innovative business initiatives and projects in the Group.

Conduct with customers

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

Prevention of money laundering and terrorist financing

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

The Group also pays particular attention to compliance with the AML regulation and the restrictions imposed by national or international organizations on operations with certain jurisdictions and individuals or legal entities, to avoid sanctions and significant economic fines imposed by the competent authorities of the various geographical locations in which the Group operates.

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 risk management in all the entities that make up the Group. This model takes into account the regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies such as the Financial Action Task Force (FATF).

This management model is constantly evolving. Thus, the risk analyses carried out annually tighten controls and establish, where appropriate, additional mitigating measures to enhance the model. In 2021, the regulated entities of the Group carried out this AML risk assessment exercise under the supervision of the corporate AML area.

The BBVA Code of Conduct establishes the basic guidelines for action in this area. In line with these guidelines, BBVA has established a series of corporate procedures that are applied in each geographical area, including the Corporate Procedure of Action for the Establishment of Business Relations with Politically Exposed Persons (PEPs), the Corporate Procedure of Action for the Prevention of Money Laundering and the Financing of Terrorist Activities in the Provision of Cross-Border Correspondent Services, and the Standard that establishes the Operational Restrictions with Countries, Jurisdictions and Entities designated by National or International Organizations. All applicable standards are available for consultation by employees in each geographical area.

During 2021, BBVA has continued with the deployment of the new monitoring tool implemented in 2020 in Spain and Turkey, which allows more advanced functionalities, completing the implementation in Mexico, Portugal, Italy, Malta and Cyprus and starting said implementation in Peru, Colombia and Argentina. Similarly, the Group has incorporated new technologies (machine learning, artificial intelligence, etc.) into AML processes in order to (i) enhance the capabilities of detecting elements of risk, (ii) increase the efficiency of said processes and (iii) strengthen analysis and research capacities.

In 2021, BBVA Group resolved 141,850 investigation files that resulted in 78,421 reports of suspicious transactions sent to the corresponding authorities in each country, mainly in jurisdictions such as Spain, Mexico, Turkey, Colombia, Argentina and the United States.

In the area of training related to AML, each of the BBVA Group entities offers an annual training plan for its employees. This plan, defined according to the needs identified, establishes training actions such as face-to-face or e-learning courses, videos, brochures, etc. for both new hires and employees. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the applicable internal and external AML regulations, as well as specific issues that affect the functions performed by the target group of the training. In 2021, 97,106 attendees participated in AML training activities; this figure includes 12,759 employees belonging to the most sensitive groups from the perspective of AML, who received an enhanced level of training.

The AML risk management model is subject to continuous independent review. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain in other jurisdictions. In accordance with Spanish regulations, an external expert performs an annual review of the Group's parent company. In 2021, this external expert concluded that BBVA does indeed have an AML model to monitor the risk of being used as a vehicle for money laundering or terrorist financing. In turn, the internal control body, which BBVA maintains at the holding level, meets periodically and oversees the implementation and effectiveness of the AML risk management model within the Group. This supervision scheme is also replicated at the local level, through the committees corresponding to each geography.

It is important to mention BBVA´s collaboration work with the different government agencies and international organizations in this field: Attendance at the meetings of the Executive Committee Financial Crime Strategy Group of the AML & Financial Crime Committee and the Financial Sanctions Expert Group of the European Banking Federation, member of the task forces on KYC/RBA (Know Your Customer/Risk-based Approach) and Information Sharing of the European Banking Federation, member of the AML Working Group of the IIF, participation in initiatives and forums aimed at increasing and improving the exchange of information for AML purposes, such as the Europol Financial Intelligence Public Private Partnership (EFIPPP), as well as contributions to public consultations issued by national and international bodies (European Commission, FATF-GAFI, European Supervisory Authorities, among others).

Conduct on securities markets

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

These basic principles are specifically developed in the Policy on Conduct in the Field of Securities Markets ("the Policy"), which applied to all the individuals who form part of BBVA Group. Specifically, this policy establishes the minimum standards that are to be respected with the activity carried out in the securities markets in terms of privileged information, market manipulation and conflicts of interest. The Policy is supplemented in each jurisdiction by a rule or Internal Code of Conduct (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 BBVA's Policy and ICC are widespread throughout the Group. In order to manage this regulation, BBVA has tools which are in continuous development and have been implemented throughout practically the entire Group for over a decade. The management of the ICC has meant that the degree of adhesion to it is close to 100% of the individuals in question.

In 2021, Compliance has supervised more than 59,000 operations on the own account of employees subject to the RIC in the securities markets, a group that at the end of that year amounted to more than 7,000 people.

In relation to the process of monitoring operations in the securities markets, in 2021 around 300 suspicious operations have been reported to the different local supervisors in the geographies in which BBVA has activity in the Markets. Likewise, through the communication monitoring process, more than 3,000 communications have been analyzed through voice and electronic channels from the market areas.

The internal regulations on market abuse have also been reviewed, highlighting the updating of the Buyback Program Procedure, the Regulation on activities related to Financial Indices, the Procedure on Investment Recommendations and the Procedure for the Control of Privileged Information. This last procedure has been adapted to the needs of safeguarding privileged information derived from the new remote work environments.

In this context of preventing market abuse, the technological infrastructure for the detection of operations suspected of market abuse has continued to be strengthened, with a special focus on trading activity.

Also in 2021, the training program on market abuse was enhanced with the launch of a specific global course on insider information and market manipulation, which complements the various training activities carried out by the Group on market conduct. Approximately 5,000 Group employees completed this training.

Likewise, training was also improved for employees operating in derivatives with customers affected by the US Dodd-Frank Act under the license of Swap Dealer. This training has been mandatory from January 31, 2021, and is provided by the competent supervisory authority (the National Futures Association).

In relation to the Unites States regulation known as the "Volcker Rule" BBVA has adapted its compliance program to the new simplified version of the rule ("Volcker 2.0"), which continues to maintain the highest international standards. In 2021, annual training on the Volcker Rule was undertaken by a group of 1,500 employees in the Group, which represents almost all of the group affected by the regulation.

In addition, the financial instrument repurchase procedure was updated in order to adapt it to the Group's new Control Model, ensuring strict compliance with European market abuse regulations.

Personal data protection

In the area of personal data protection, BBVA Group has deployed all its activity in three core areas: the personal data of customers, employees and suppliers.

For these purposes, BBVA has differentiated local policies for each of these axes, and they are subject to continuous review and updating, based on the applicable national and international regulations, as well as the Group's Data Protection Principles. In this way, BBVA has in the different geographies, in accordance with its own local legislation, data privacy policies or notices where the way in which the Group's entities collect, process and protect the personal data of its customers is disclosed, suppliers, and employees, as well as the rest of the people who provide their personal data to the corresponding Group company.

BBVA has a global unit for the Protection of Personal Data and local units in the countries where BBVA carries out its activity, in charge of overseeing these issues in the Group. Since 2020, these units have been integrated into the Compliance area, having consolidated their integration during 2021.

This has materialized in the adaptation of the Compliance programs regarding the protection of personal data, which include updating both internal regulations and management frameworks aimed at complying with legal requirements regarding data protection at the BBVA Group level.

During 2021, the Personal Data Protection unit has continued to promote the supervision and control processes in all the countries of the Group to find out the degree of application of the data protection regulations in each country and, where appropriate, promote the actions necessary for its proper functioning. This has been carried out, fundamentally, through the reinforcement of protocols and actions to verify processes and activities with an impact on the protection of personal data, as well as through the follow-up and resolution of the recommendations resulting from internal and external audits. carried out in this field.

For its part, the BBVA Code of Conduct establishes that data protection breaches may lead to the adoption of disciplinary sanctions in accordance with labor legislation.

Other standards of conduct

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

During the 2021 financial year, the BBVA Group has implemented a global Whistleblowing Channel tool provided by an external provider in most of those areas where it is present. This online platform is accessible to all employees through the corporate intranet and third parties outside BBVA can access it through a public link available on the BBVA Group website (www.bkms-system.com/bbva). This new tool raises the standards of security, confidentiality and anonymity for whistleblowers and thus ensures their protection. In 2021 the Group received 1,748 complaints, mainly referring to categories of conduct with co-workers (56.6%) and conduct with the company (32.6%). Some 47% of the complaints processed during the year ended with disciplinary action being taken.

The work carried out in 2021 by the Compliance area included ongoing advice on applying the Code of Conduct. Specifically, the Group formally received 615 individual written and phone queries, focused on aspects such as resolution of potential conflicts of interest, management of personal assets and the development of other professional activities. In 2021, BBVA continued with its work of communication and dissemination of the Code of Conduct, as well as the training on its contents. To date, a total of 104.476 employees have taken part in this training program.

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

Another key element in the management of Conduct risk in BBVA is the Group's General Anti-Corruption Policy (approved by the Board of Directors of BBVA S.A. in September 2018), which develops the principles and guidelines contained, primarily, in Section 4.3 of the 2015 Code of Conduct. It conforms to the spirit of national and international standards on the subject, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO). In May 2020 this Policy was reviewed and its update approved by the Board of Directors of BBVA S.A. and communicated again to all employees and member of the Group´s main governing bodies. The general guidelines of the BBVA’s General Anti-Corruption Policy are available to both business partners and other third parties on BBVA’s shareholders and investors website.

Additionally, BBVA has an internal regulatory body that complements the General Anti-Corruption Policy in the matter that it regulates.

Among the most prominent policies are:

- General Policy on Conflicts of Interest,
- Policy on the Prevention and Management of Conflicts of Interest at BBVA (customer area),
- Policy on Events and the Acceptance of Gifts Related to major sporting events,
- Corporate Travel Policy, and
- Corporate Event Management Policy.

Likewise, regarding other internal developments, the following stand out:

- Management model for corporate and travel expenses for personnel,
- Management model for expenses and investment,
- Code of Ethics for Suppliers,
- Rules for the Acquisition of Goods and Contracting of Services,
- Rules relating to gifts for employees from persons/entities outside the Bank,
- Rules for delivery of gifts and organization of promotional events,
- Rules for authorizing the hiring of consultancy services,
- Rules for wholesale credit risk and retail credit risk,
- Corporate rules for managing donations and contributions to non-profit organizations,
- Corporate rules for managing commercial sponsorships,
- Requirements for establishing and maintaining business relations with politically exposed persons (PEP),
- Procedural manual (treatment and registration of communications in the whistleblower channel),
- Corporate rules for managing the outsourcing life cycle,
- Disciplinary regime.

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

In relation to the evaluation of the risk of corruption in the Group, different types of operations have been evaluated (I) 587.909 operations out of a total of 599,851 (98%) in relation to the PBC risk (to see the number of communications made to the corresponding authorities, consult the previous section on “Prevention of Money Laundering and Financing of Terrorism”); (II) Regarding the risk of internal fraud, a total of 260,665 operations have been analyzed out of a total of 260,667 (99.99%).

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

In relation to the training program on the prevention of corruption, during the 2020 financial year, the training of managers and employees of the BBVA Group in the Anti-Corruption Policy was promoted globally through different initiatives based mainly on practical cases. In this sense, the launch of a corporate online course in most of the jurisdictions in which BBVA is present stands out. At the end of the 2021 financial year, this course had been taken by a total of 71,470 (87.5%)[14] employees, broken down as follows:

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

	Enrolled	Undertaken	% Finished
Argentina	5,906	5,769	97.7
Chile	718	520	72.4
Colombia	6,929	6,579	94.9
Spain	21,507	19,123	88.9
Mexico	37,401	31,482	84.2
Peru	6,648	6,421	96.6
Switzerland	117	109	93.2
Uruguay	577	519	89.9
USA	71	53	74.6
Venezuela	1,763	895	50.8
Total general	**81,637**	**71,470**	**87.5**

On the other hand, the total number and percentage of members of the Boards of Directors of the main entities that make up the Group who have received anti-corruption training at the date of publication of this report is 90 (100%), broken down by the following way:

MEMBERS WHO HAVE RECEIVED ANTI-CORRUPTION TRAINING (BBVA GROUP. NUMBER, PERCENTAGE)

	Members	% Finished
Argentina	10	100
Chile	5	100
Colombia	9	100
Spain	15	100
Mexico	9	100
Peru	11	100
Switzerland	6	100
Uruguay	11	100
USA	7	100
Venezuela	7	100
Total	**90**	**100**

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

Moreover, the framework for preventing conflicts of interest was reinforced in July 2020, complementing the existing internal regulation through the issuance of a new general policy, applicable to the entire Group, which reinforces the principles and main measures that all BBVA members must assume and follow in order to identify, prevent and manage conflicts of interest. The policy has been established in the context of the principles under which BBVA Group operates, which include integrity, prudent risk management, transparency, the achievement of long-term sustainable business and compliance with applicable legislation. It also addresses several different aspects, such as specific measures that help prevent the emergence of conflicts, general guidelines for action should they emerge, and governance and monitoring mechanisms at various different levels of the organization. During the 2021 financial year, different awareness-raising actions have been carried out regarding conflicts of interest in BBVA.

Crime prevention model

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

[14] This metric does not include Garanti Turkey.

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

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

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

In this context, from 2017 onward, BBVA has been awarded the AENOR certificate, which accredits that its crime compliance management system complies with the UNE 19601:2017 standard.

Fiscal transparency

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

BBVA's guiding principles on fiscal matters

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

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

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

BBVA's fiscal strategy

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

In summary, BBVA's fiscal strategy establishes:

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

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

– BEPS compliance

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

– Geared toward compliance with the SDGs

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

– Committed to protecting human rights

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

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

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

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

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

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

BBVA is fully committed to transparency in tax matters and voluntarily publishes its overall tax contribution annually in the Tax Policy section of the shareholders and investors website. As a financial institution, BBVA also complies, through the corresponding areas, with reporting obligations to tax authorities arising from the Foreign Account Tax Compliance Act (FATCA), the Common Reporting Standard (CRS), the U.S. Qualified Intermediary (QI), and the country-by-country report. In 2021, BBVA Group has also 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).

Fiscal risk management and control

BBVA Group has set up a Fiscal Control Framework that complies with requirements on tax risk management and control introduced for listed companies by Law 31/2014, amending the Capital Companies Act to improve Corporate Governance.

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

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

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

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

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

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

Finally, the BBVA Group Control Framework is subject to annual review by a third independent firm.

Cooperation with tax administrations

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

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

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

In addition, in 2021 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 2019 has been submitted to the Agency. In the process of analyzing these data, BBVA Group has evaluated risks of a fiscal nature on the basis of indicators and ratios of a financial character identified by the OECD in its document OECD (2017), BEPS Action 13 - Country-by-Country Reports: Manual on the effective use for the assessment of tax risk.

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

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

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

Participation in technical-fiscal discussion forums

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

In this respect, there are no significant differences in fiscal matters with respect to the positions reported by said organizations and those maintained by BBVA.

Dialog with other stakeholders on fiscal matters

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

This way of understanding and approaching taxation has allowed BBVA to position itself as a model in the area of taxation, according to the DJSI.

Total tax contribution

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

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

GLOBAL TAX CONTRIBUTION (BBVA GROUP. MILLIONS OF EUROS)

	2021	2020
Own taxes	3,030	3,288
Third-party taxes	5,185	5,037
Total tax contribution	**8,215**	**8,325**

Tax information by country

TAX INFORMATION BY COUNTRIES (MILLIONS OF EUROS)

	2021				2020			
	CIT payments cash basis (*)	CIT expense consol	PBT consol (**)	Gross margin	CIT payments cash basis (*)	CIT expense consol	PBT consol (**)	Gross margin
Spain (***)	90	901	1,030	6,161	(699)	(7)	(2,108)	5,732
Mexico	360	957	3,532	7,448	1,250	721	2,491	6,798
Turkey	330	437	1,851	3,145	348	362	1,394	3,298
United States (****)	34	108	586	1,502	118	85	551	3,165
Peru	173	120	385	1,093	156	91	325	1,149
Colombia	90	101	338	889	104	77	249	911
Argentina	27	39	129	816	137	81	205	732
Uruguay	16	7	29	134	12	8	37	146
Chile	12	16	71	133	19	8	32	132
United Kingdom	8	8	61	108	5	3	40	76
Romania	4	7	41	106	8	4	27	103
Portugal	9	15	47	95	5	14	42	100
Hong Kong	8	9	57	80	8	5	31	55
Malta	4	2	21	77	8	4	66	83
Netherlands	—	6	23	70	7	7	23	59
Italy	28	17	57	66	8	20	65	77
France	7	9	42	61	13	3	14	64
Venezuela	1	5	7	56	—	7	8	44
Germany	27	5	26	40	26	8	24	40
Switzerland	6	2	8	39	9	3	11	42
Bolivia	3	3	12	28	3	3	12	28
Cyprus	3	5	21	23	7	4	16	28
Singapore	2	3	18	22	1	2	11	14
Taiwan	—	-1	-2	7	—	—	1	5
Curaçao	—	—	4	7	—	—	2	5
China	—	—	1	6	—	—	1	4
Belgium	—	—	4	5	—	—	4	7
Brazil	—	—	—	2	—	—	2	4
Finland	—	—	1	—	—	—	(26)	3
Japan	—	—	-1	—	—	—	—	1
Paraguay	10	—	—	—	3	3	26	68
Ireland	—	—	—		—	—	—	—
Total	**1,252**	**2,781**	**8,399**	**22,219**	**1,556**	**1,516**	**3,576**	**22,973**

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

(*) 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.

(**) PBT: Profit before tax.

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

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

The total gross margin of the Group that appears in this table does not match that existing in the consolidated profit and loss account since the total gross margin in this table also includes the gross margin generated, up to the time of its sale, by the US companies sold, whose "Profit before taxes" and "Corporate income tax expense" are classified under "Profits (losses) after taxes from discontinued operations".

In 2021, BBVA Group did not receive any significant public aid allocated to the financial sector intended for the promotion of banking activity. This statement is made for the purposes of article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

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

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

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

(*) Full time employees. The 12 employees of representative offices are not included in the total number.

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

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

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

(*****) The fact that in certain geographies 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.

The total gross margin of the Group that appears in this table does not match that existing in the consolidated profit and loss account since the total gross margin in this table also includes the gross margin generated, up to the time of its sale, by the US companies sold, whose "Profit before taxes" and "Corporate income tax expense" are classified under the heading "Profits (losses) after taxes from discontinued operations".

TAX INFORMATION BY AREAS 2020 (MILLIONS OF EUROS, NUMBER OF EMPLOYEES)

	Consolidated gross margin (*****)			Profit (loss) before CIT	CIT payment (cash basis) (***)	CIT accrued (current year)	Nº employees (*)	Tangible assets other than cash
	Third-parties	Related party	Total					
Spain (**)(***)	5,732	(125)	5,607	(2,108)	(699)	(7)	29,330	5,748
Mexico	6,798	15	6,813	2,491	1,250	721	36,853	1,931
Turkey	3,298	(22)	3,276	1,394	348	362	20,357	958
The United States (****)	3,165	251	3,416	551	118	85	10,883	826
Peru	1,149	(2)	1,147	325	156	91	6,204	290
Colombia	911	(2)	909	249	104	77	6,592	127
Argentina	732	—	732	205	137	81	6,052	340
Rest of Latin America	425	(3)	422	119	37	29	4,210	104
Rest of Europe and Asia	762	(54)	708	350	105	77	2,668	148
Total	**22,972**	**58**	**23,030**	**3,576**	**1,556**	**1,516**	**123,149**	**10,472**

(*) Full time employees. The 12 employees of representative offices are not included in the total number.

(**)The balances "Profit before tax" and "Corporate income tax expense" includes the balances of €413m and €57m in 2020 respectively from the of the banking business in the United States, classified within the balance "Profit (loss) after tax from discontinued operations".

(***) In 2020, the negative amount of "CIT payments cash basis" is mainly due to the methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, which may lead to differences between the advance payments made in the current year and the refund of those advance payments made in previous years resulting once the annual corporate income tax return has been submitted. As a result of these differences, there has been a net cash refund. The amount of "Profit before taxes includes Corporate Center.

(****) "Gross income", "Income before tax", "Corporate Income Tax accrued" includes €2,807m, €413m and €57m respectively from the banking business in the United States classified under "Profit (loss) after tax from discontinued activities".

(*****) The fact that in certain geographies 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.

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

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

For these purposes, its tax rate stands out in 2021, much higher than 30% due to the tax effects generated in the Corporate Income Tax Expense as a result of the sale of the banking business in the United States.

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

The nominal tax rate in Mexico is 30% and its effective tax rate is somewhat below it, since there are certain effects and singularities of a fiscal and accounting nature that can cause its effective tax rate to be different from 30%, being the most relevant in 2021, the fiscal adjustment for inflation that contributes to the drop in said rate.

BBVA Group's operations in the United States have been conducted, firstly, through BBVA USA, based in the Sunbelt region of the United States, with its main segments of activity being commercial and corporate banking, as well as CIB activities; as well as operations conducted through the New York branch, which focuses on investment banking.

However, on June 1, 2021, once the necessary authorizations were obtained, BBVA completed the sale of 100% of the share capital of its subsidiary BBVA USA Bancshares, Inc., which in turn was the holder of all the share capital of the bank BBVA USA, in favor of The PNC Financial Services Group, Inc. BBVA Group will continue to engage in institutional and wholesale business in the United States 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. The Profit net of Corporate Tax and accrued Corporate Tax appearing in the above table includes the figures of the business unit which is the object of the transaction until its execution.

The nominal federal tax rate in the United States is 21%. In 2021, the effective tax rate is slightly lower due to the sale transaction referred to above, which significantly alters the Group's activity mix in the United States.

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

As a result of a tax reform approved in the 2021 financial year itself, the nominal tax rate in Argentina is 35% (initially, it was planned to be 30%). Despite its consideration as a hyperinflationary economy and the consequent restatement of its financial statements, which usually significantly distort the country's tax pressure, the effective tax rate is lower than the nominal rate, mainly due to the tax adjustment for inflation.

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

The nominal tax rate in Colombia is 34% (financial sector), while the effective tax rate is somewhat lower. In this sense, there are certain effects and singularities of a fiscal nature (such as income exempt from social interest loans, as well as some from the insurance field) that can cause your effective tax rate to be different from the nominal one.

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

The nominal tax rate in Peru is 29.5% and its effective tax rate is somewhat higher. In fiscal year 2021, the weight of non-deductible expenses/income is greater than that of exempt income (i.e. exemption from interest on deposits in the Central Reserve Bank and interest on Public Treasury bonds).

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

As a result of a tax reform approved in 2021 itself, the nominal tax rate in Turkey is 25%, which will become 23% in 2022 and 20% in subsequent years. At the beginning of the year, the planned nominal rate was 20%. In 2021, the effective tax rate was somewhat lower than the nominal rate of 25%, mainly due to the positive effect of regularizing its deferred tax assets (DTAs), net of deferred tax liabilities. to the new tax rates applicable depending on the moment in which they are expected to reverse.

Likewise, the Group also operates in Chile, Venezuela, Uruguay, Bolivia, Brazil and Curaçao carrying out, as in the rest of the jurisdictions, the activity of retail and commercial banking. The combined relative weight of these countries in the Group's accounts is very limited; representing less than 2% of the Group's total consolidated income before tax generated in 2021.

The average nominal rate is 26.20%. The joint effective tax rate is 25.20%, practically the same.

Additionally, the main banking and financial institutions in the rest of Europe and Asia are in Switzerland, the Netherlands, and Romania. There are also branches located in Frankfurt, Brussels, Paris, Milan, London, Portugal, Taipei, Tokyo, Hong Kong, Singapore, Shanghai, Malta and Cyprus, whose main activity is in the field of CIB. The overall relative weight of these countries in the Group's accounts is very limited, representing less than 5% of the Group's total consolidated income before tax generated in 2021.

The average applicable nominal rate would amount to 23.01%. In 2021 the effective tax rate has risen to 20.47%, practically in line with the average nominal rate calculated for these jurisdictions.

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

Offshore financial centers

BBVA Group maintains an express policy on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of these establishments.

Issuers of securities

As of December 31, 2021, BBVA's permanent establishments registered in offshore financial centers considered tax havens by both the OECD and Spanish regulations are securities companies: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

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

BRANCH AT OFFSHORE ENTITIES (BBVA GROUP. MILLIONS OF EUROS)

	2021	2020
Subordinated debts [1]		
BBVA Global Finance LTD	177	163
Other debt securities		
Continental DPR Finance Company [2]	7	19
Garanti Diversified Payment Rights Finance Company	781	1,104
RPV Company	1,341	1,247
Total	**2,306**	**2,533**

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

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

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

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

The BBVA Internal Audit area performs risk-based reviews of BBVA Group's permanent establishment in offshore financial centers. In addition, every year a special risk-based review is performed of compliance with Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore financial centers.

In 2021, both the Internal Audit Area and the BBVA Compliance Department monitored the action plans derived from the audit reports.

For 2021, as far as external audits are concerned, all of BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (KPMG), except for Continental DPR Finance Company.

Commitment to human rights

BBVA is committed to compliance with all applicable laws and to respect for internationally recognized human rights. This commitment applies to all of the relationships that BBVA establishes with its customers, suppliers, employees, and with the communities in which it conducts its business and activities.

BBVA has had a commitment to human rights since 2007, which was updated in 2020. It seeks to ensure respect for the dignity of all people and their inherent rights.

BBVA's human rights commitment is part of the Group's CSR Policy and is aligned with its Code of Conduct. This commitment takes the UN Guiding Principles on Business and Human Rights as a reference. Its purpose is to guide the Group in its strategic vision and its operations, as well as its relationship with its stakeholders.

BBVA and Human Rights: our journey

2002
- Code of Conduct
- UN Global Compact members

2004
1st Spanish Bank to adheres Equator Principles

2005
Rules of Conduct in Defense

2007
Commitment to Human Rights

2008
(UN-PRI) United Nation Principles for Responsible Investment

2011
Diversity Plan

2012
- Thun Group
- Responsible Procurement Policy
- Social Housing Policy in Spain

2014
Review of the Rules of Conduct in Defense

2017
- 1st Global Human Rights Due Diligence
- Code of Conduct for Suppliers

2018
- Update of Commitment to Human Rights
- Action Plan on Human Rights 2018-2020
- Sector Norms for environmental and social due diligence (energy, infrastructure, mining and agribusiness)

2019
- Expansion of scope of Sector Norms and the Rules of the Conduct in Defense

2020
- New CSR policy
- Update of Commitment to Human Rights "BBVA and Human Rights"
- Environmental and Social Framework for due diligence in the mining, agroindustry, energy, infrastructures and defense sectors
- Update of Code of Conduct for Suppliers
- General Procurement Principles

2021
- 2nd Global Human Rights Due Diligence
- Expansion of Environmental and Social Framework
- Update of General Procurement Principles

(*) Sustituye a Normas Sectoriales y Normas de actuación en materia de defensa.

In 2021, BBVA has adopted an active role within the framework of future EU legal initiatives. As part of its participation in the Working Groups on Sustainable Finance of the European Banking Federation (EBV) and the Association of Financial Markets of Europe (AFME), BBVA has contributed to the drafting of responses to public consultations made to the European Commission. In this context it is worth highlighting the response to the consultation launched by the European Sustainable Finance Platform on the development of a social taxonomy, a project whose objectives include criteria that guarantee the support and respect of companies for human rights. 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 more information on the Equator Principles, see the chapter "Management of indirect environmental and social impacts" in this report.

Moreover, the methodology for assessing the risk to BBVA's reputation mentioned in the "Reputational Risk" section within the chapter “Risk management”, is an essential companion to this management, since assessing reputational risk highlights the fact that issues related to human rights have the potential to affect the Group's reputation.

Due diligence process

In line with the UN Guiding Principles on Business and Human Rights, in 2021 BBVA began a new process of human rights due diligence to prevent, mitigate and repair potential human rights impacts. Using a preventive approach, the potential impacts on human rights of the operations have been identified, together with possible improvements in the mechanisms within the Entity to prevent and mitigate them, making the adequate channels and procedures available in order to ensure that, in case of any violation, the appropriate mechanisms are available to ensure all necessary remedies.

The main objectives of this exercise were:

- Update and include new issues to identify and asses the risks analyzed in the previous year.
- Assess the adequacy of the claims measures and mechanisms for managing these risks (in accordance with the provisions of the UN Guidance 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 risk operational risk management model and regulatory recommendations to ensure that the due diligence process constitutes a continuous and dynamic process. For more information, see the "Operational risk" section in the chapter "Risk management" of this report.

This global due diligence process carried out in all the global areas of BBVA has been replicated in Spain, Mexico, Turkey, Argentina, Colombia, Peru, Uruguay and Venezuela. For each country, priority has been given to issues with greatest impact and frequency resulting from local social and governmental practices and from the interviews held with the management areas and global Risk Control Specialists.

Identification, assessment and testing

Taking as a starting point the issues analyzed in the previous due diligence process in 2018, and incorporating the recommendations and expectations of analysts and investors and other emerging issues, an internal taxonomy has been created of 28 issues, grouped into 6 themes covering aspects related to forced labor, child labor, freedom of association and collective bargaining, wage equality and discrimination.

1. Employment conditions: fair recruitment and remuneration, labor rights and relations, and health and safety.
2. Projects and products: impact on human rights derived from lending activity.
3. Supply chain: fair recruitment conditions, supplier monitoring and responsible purchasing policies.
4. Customer wellbeing: accessibility and service, security and respect.
5. Respect for communities: environmental protection and inclusive business.
6. Cross-cutting issues: data protection and the impact of new technologies on human rights.

For each of these 28 issues, an assessment has been made of:

- Inherent risk: based on the two parameters of seriousness of impact and frequency of occurrence for each issue. For this purpose, public information on the industry and the Entity itself was used, as well as the various international frameworks of reference, in particular the UN Guidance Principles.
- Residual risk: to assess the mitigating aspects available to BBVA to manage each issue, based on: (I) policies, (II) procedures/controls, (III) claims mechanisms, and (IV) monitoring indicators.

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 Risks Model, the global Risk Control Specialists for each issue checked the results of the assessment and the adequacy of the action plans as mitigants. This test had a twofold objective: first, to move steadily toward an alignment of the two models (due diligence of human rights and the Non-Financial Risk Model); and second, achieve a greater systemization of the process.

Prevention and mitigation: Action Plan

The results of the global due diligence process determined that in general the management and mitigation measures for each of the issues have a medium-high level of effectiveness. However, areas of improvement have been detected in four areas:

1. **Strategy**. One of the areas for improvement detected has been to strengthen the structure of management, monitoring and control of the risks associated with human rights. As a result, in 2021 the alignment with the Non-Financial Risks Model has been reinforced, and a half-yearly system to monitor the effects of the Action Plan will be carried out. Work will also begin on the integration of the management of these risks in ordinary processes.
2. **Stakeholders**. The active participation of key stakeholders in the due diligence process has been identified as an area to be enhanced. An active process of participation with these groups will be carried out to meet this requirement.
3. **Reporting and disclosure.** BBVA is committed to disclose essential (ESG) factors regarding its business, in a consistent, reliable and standardized manner. In addition to GRI, BBVA discloses information on human rights according to two of the most advanced standards in the market: Measuring Stakeholder Capitalism of the World Economic Forum's (WEF) International Business Council (IBC) and the Sustainability Accounting Standards Board (SASB). In this way, BBVA responds to the expectations of analysts, investors and other stakeholders.
4. **Processes.** Action plans have been established in each of the 6 thematic areas:
    - Employment conditions: In 2021, the commitment to non-discrimination between employees has been strengthened. The non-discrimination variable will be included in the internal analytical model of existing data in the Group to contribute to the selection and recruitment processes. Moreover, work has been done on global labor disconnection guidelines which will include express measures on digital disconnection, methods and contact times in calls, emails and other channels. The guidelines are applicable in all geographical areas and communication and awareness raising campaigns are carried out for all employees to make them aware of their implementation.
    - Projects and products: In the area of BBVA's environmental and social framework, an Engagement Protocol was developed in 2021 with customers who a priori do not comply with any of the requirements of said Framework. This protocol specifically includes compliance requirements relating to human rights.
    - Supply chain: A pilot project was launched in 2021 to enhance the integration of ESG issues, and specifically human rights, into the supplier evaluation process and to enhance the fact of having a chain of responsible suppliers.
    - Customer wellbeing: In 2021 a framework of protection for vulnerable customers has been developed to develop criteria and good practices that offer adequate protection to customers in a situation of vulnerability.
    - Respect for communities: The launch is planned of a global framework of sustainable mobility, so that the geographical areas where BBVA operates may prepare local plans that will contribute to reduce the environmental footprint in the areas and communities where we operate. For more information see the chapter "Management of direct environmental impacts" in this report.
    - Cross-cutting issues: Work has started to create a privacy policy for the whole BBVA Group. A monitoring tool will also be available for the protection of personal data at global level, which will include indicators relating to the number of complaints and claims on personal data protection.

As a final result, 25 action plans have already been implemented in 2021, run by 14 business areas or globally with the involvement of the whole company.

Claims methods[15]

BBVA has a Whistleblowing Channel, through which any stakeholder can report confidentially and, if they wish, anonymously, any behavior that is linked directly or indirectly to human rights. No violations of human rights by the entities belonging to the Group as of December 31, 2021 have been detected in the complaints received through this channel. Fore more information, see the "Compliance" section of this report.

There is also a plan to create a global and local category of claims linked to human rights issues in the customer service channels.

[15] 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.

2.2.6 Suppliers

BBVA provides complete and transparent information to its suppliers in the procurement processes, to ensure compliance with the legal requirements on labor and environment, respecting the human rights and stimulating the demand for socially responsible products and services.

Within the procurement process, BBVA carries out an adequate management of the impacts generated in the development of its activity, both real and potential, through a series of mechanisms and standards: the General Procurement Principles, the supplier evaluation process and the Corporate Standard for Procurement of Goods and Contracting Services. These impacts can be environmental, derive from the labor practices carried out in the suppliers' companies, the absence of freedom of association or the violation of human rights.

The General Procurement Principles and the BBVA Code of conduct for suppliers establish the fundamental guidelines that all suppliers with whom any company or entity of the Group is related must respect.

- The General Procurement Principles establish, among other aspects, the duty to ensure compliance with the applicable legal requirements regarding human, labor, association and environmental rights by all those involved in the procurement process, as well as how to involve them in the Group's efforts to prevent corruption. In the same way, it ensures that the selection of suppliers complies with the existing internal regulations at all times and, especially, with the values of the Group's Code of Conduct, based on respect for legality, commitment to integrity, concurrency, objectivity, transparency, value creation, confidentiality, continuous improvement and segregation of duties.
- Through the implementation of the Code of conduct for suppliers in the purchasing units of all the countries in which the Group is present, minimum standards of behavior have been established in terms of ethical, social and environmental conduct that suppliers must respect when provide products and services.

BBVA aims to integrate ethical, social and environmental factors in the supply chain for which it is responsible. In 2021, the Group consolidated its purchasing function, which is based on three basic pillars of the procurement model:

- Service: maximizing the quality and experience of the internal customer, who is accompanied throughout the process.
- Risk: limiting the Group's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- Efficiency: contributing to the Group's efficiency by the proactive management of costs and suppliers.

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA GROUP)

	2021	2020
Number of suppliers (1)	3,332	3,582
Volume provided by suppliers (millions of euros) (1)	5,966	6,906
Average payment period to suppliers (days)	20	20
Suppliers satisfaction index (2)	84	n.a.
Number of evaluated suppliers (3)	3,867	5,702

n.a. = not applicable.

Note: excluding Turkey.

(1) Payments to third parties. Suppliers lower than 100,000 euros are not included.

(2) Obtained based on the results of a satisfaction survey carried out every 2 years to Bank suppliers who have more than 10,000 euros in awards and 100,000 euros in billing. It is calculated as the average number of responses to the question: "Would you recommend working with the BBVA Group Purchasing Department to a friend or family member?", based on 100.

(3) For 2021, the figure includes suppliers of more than 10,000 euros in billing (for 2020, suppliers of more than 100,000 euros in billing).

BBVA has technological platforms that support all phases of the Group's procurement process, from budgeting to the recording and accounting of invoices. Furthermore, the BBVA supplier portal facilitates the Group's digital relationship with its suppliers. It is a collaborative environment aimed at companies and freelancers who work or want to work with the Group, which allows them to interact with BBVA electronically throughout the supply cycle.

Both the supplier evaluation process and the Corporate Standard for Procurement of Goods and Contracting of Services have undergone significant updates throughout 2021, evolving toward a more complete evaluation of supplier risk and greater control over the entire procurement process.

The supplier evaluation process carried out by BBVA has finished being implemented in 2021, considerably expanding the number of aspects to review related to each supplier: financial, legal, labor, reputational, anti-corruption and money laundering, technological risks, concentration and country risks, and client protection. The analysis of these aspects aims to mitigate possible risks in contracting with third parties, as well as to verify that it complies with its legal responsibilities, allowing in turn to promote its civic responsibilities and validate that they share the same values as the Group in terms of social responsibility.

In this evaluation process, the supplier must declare that it has its own code of conduct, which complies with the highest standards in its industry. In the event that it does not have its own code of conduct, the supplier must declare that it knows and accepts the BBVA Group's Code of Conduct, which includes the following aspects: legal compliance; commitment to human rights; commitment to the environment; supply chain (outsourcing); combating corruption; prevention of money laundering and financing of terrorist activities; political contributions; conflict of interest; free competition; and confidentiality.

The evaluation of suppliers is periodically reviewed and is subject to continuous monitoring. As of December 31, 2021, the percentage of awards made to evaluated suppliers reached 97.3%.

As of December 31, 2021, 97.8% of the total number of BBVA suppliers (representing 92.8% of total billing) corresponds to local suppliers, which makes it possible to contribute to the economic and social development of the countries in which BBVA is present. The Group defines a local supplier as one whose tax identification matches the country of the company receiving the good or service.

BBVA also favors inclusion and diversity by hiring services in Spain through the so-called “special employment centers” (CEE), protected employment companies where the labor integration of people with disabilities is promoted. During fiscal year 2021, the turnover of CEE to the Bank was €1.7m (as of December 31, 2020, the turnover amounted to €2.4m).

Finally, it should be noted that in the fiscal year 2021, the Internal Audit area evaluated hired suppliers on the procurement processes of goods and services from different areas and on the service provided by certain suppliers, generally outsourcing. These are risk-based evaluations and the reviews are carried out according to a defined internal methodology.

NUMBER OF SUPPLIERS AND TURNOVER BY COUNTRY

	2021		2020	
Suppliers (1) and annual turnover (2)	**Number of suppliers**	**Annual turnover (millions of euros)**	**Number of suppliers**	**Annual turnover (millions of euros)**
Spain	1,040	2,191	1,138	2,169
The United States (3)	n.a.	n.a.	424	458
Mexico	1,286	2,885	1,068	3,380
Argentina	315	299	289	351
Chile	71	50	—	—
Colombia	203	223	196	216
Peru	287	259	290	236
Venezuela	40	14	42	33
Paraguay (3)	n.a.	n.a.	29	11
Uruguay	42	25	49	26
Portugal	48	21	57	26
Total	**3,332**	**5,967**	**3,582**	**6,906**
Total suppliers (4)				
Spain	24,715	2,312	19,089	2,285
The United States (3)	n.a.	n.a.	1,273	475
Mexico	7,178	2,997	6,220	3,483
Argentina	1,608	322	1,601	373
Chile	349	55	—	—
Colombia	1,629	241	1,725	237
Peru	1,861	280	4,760	260
Venezuela	593	18	479	36
Paraguay (3)	n.a.	n.a.	833	16
Uruguay	564	33	549	33
Portugal	745	26	528	31
Total	**39,242**	**6,284**	**37,057**	**7,229**

n.a: Not available

Note: excluding Turkey.

(1) Including suppliers and creditors.

(2) Payments made to third parties (not including suppliers with amounts less than €100,000). Cash flow criterion.

(3) Data for the United States and Paraguay are not included because of having finished the corresponding sales processes of both entities during the first half of 2021.

(4) Including all suppliers, creditors and third parties invoicing to BBVA without a limit to the amount.

AVERAGE PAYMENT PERIOD TO SUPPLIERS [1] (DAYS)

	2021	2020
Spain	35	49
The United States [2]	n.a.	10
Mexico	9	14
Argentina	28	30
Chile	30	—
Colombia	40	32
Peru	14	13
Venezuela	10	9
Paraguay [2]	n.a.	20
Uruguay	3	3
Group average [3]	**21**	**20**

n.a: Not available

Note: excluding Portugal and Turkey.

(1) Average payment period calculated as an average resulting from the difference between the payment date and the base date. With no weighing by amount.

(2) Data for the United States and Paraguay are not included because of having finished the corresponding sales processes of both entities during the first half of 2021.

(3) Total average payment period is calculated based on a ponderation between the different geographies as is not possible to be done taking the whole invoice data.

2.2.7 Regulators & supervisors

The nature of the operations involved makes banking one of the key sectors of a country's economy, as much savings, investment and finance are channeled through it. That is why banks are subject to special regulation and supervision. The regulators and supervisors are therefore important stakeholders for the financial industry in general and for BBVA in particular.

Public regulation aims to ensure that financial institutions operate correctly, strengthen their resilience to adverse events and harmonize the interests of all the parties directly affected (such as banks, savers and investors) with the general interest.

Over the last few years, a number of European authorities, such as the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Commission, etc., and also global authorities, such as the Financial Stability Board (FSB), Bank for International Settlements (BIS), etc., have developed a regulatory framework to improve the strength of the financial system and thus reduce the virulence and also probability of future financial crises.

Given the importance of the new regulatory and supervisory agenda, BBVA has maintained a constant dialog with the different authorities. BBVA has a responsible unit for coordinating relations with the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), as well as facilitating relations with other local supervisors from a single and global point of view. SSM supervision takes place through mixed groups, in the case of BBVA made up mainly of Bank of Spain teams located in Madrid and the European Central Bank (ECB) teams located in Frankfurt, which are called Joint Supervisory Teams (JSTs). The SRM itself is made up of the Single Resolution Board (SRB), based in Brussels, and the National Resolution Authorities (NRA), which in the case of Spain are the Bank of Spain as the prevention resolution authority, and the Fund for Orderly Bank Restructuring (FROB) as the executive resolution authority.

It should be noted that BBVA maintains an active participation in the consultation processes on the regulation of financial entities carried out by the different regulators or supervisors mentioned above.

For more information on the regulatory and legal framework applicable to the Group's entities, see the "Regulatory environment" chapter of this report.

2.3 Report on climate change and other environmental and social issues

The financial sector and climate change

The fight against climate change is one of the biggest disruptive events of all time, with extraordinary economic consequences to which all actors (governments, regulators, businesses, consumers and society in general) must adapt.

Climate change and the transition toward a low-carbon economy have significant implications on the value chains of most production sectors, and may require significant investments in many industries. However, technological progress in the fields of energy efficiency, renewable energies, efficient mobility and the circular economy will continue to generate new opportunities for all.

Nevertheless, customers, markets and society as a whole not only expect large companies to create value, but to also make a positive contribution to society. In particular, that the economic development to which they contribute with their activity is inclusive.

BBVA is aware of the key role that banking plays in this transition toward a more sustainable world through its financial activity, has adhered to the Principles for Responsible Banking promoted by the UN, the Katowice Commitment and the Collective Commitment to Climate Action and is keen to play a central role, as demanded by society, and to help its customers in their transition toward this sustainable future.

As a financial institution, BBVA has an impact on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly (and most importantly) through its lending activity and the projects it finances.

Under Law 7/2021, of May 20, on climate change and energy transition (hereafter Law 7/2021), BBVA has submitted a report (hereafter, Climate Change Report), which includes, among others, the following matters: the organization's governance structure, the strategic focus, both in terms of adaptation and mitigation of the entity to manage the financial risks associated with climate change, the real and potential impacts of the risks and opportunities associated with climate change, the processes of identification, evaluation, control and management of the risks related to the climate and the metrics, scenarios and objectives used to evaluate and manage the relevant risks and opportunities associated with climate change.

In this context, BBVA has incorporated the Climate Change Report into the Group's Management Report, which is attached to the Consolidated Financial Statements for 2021, as covered in the article 32 in the Law 7/2021.

Non-financial Information Report. Contents index of the Law 7/2021, of May 20, about climate change and energetic transition

Topic	Reporting criteria	Response included in BBVA Group's consolidated management report
Govern	Governance structure of organization, including the role that its various bodies perform, in relation to the identification, evaluation and management of risks and opportunities related to climate change.	BBVA in brief/The Group's Organizational Chart/ NFIS/Report on climate change and other environmental and social issues
Strategy	Strategic approach, in terms of adaptation and mitigation of the entities to manage the financial risks associated with climate change, taking into account the current risks at the time of writing the report, and those that may arise in the future, identifying the actions necessary at that time to mitigate such risks.	NFIS/Strategic Priorities NFIS/Report on climate change and other environmental and social issues
Impacts	The real and potential impacts of risks and opportunities associated with climate change on the organization's activities and its strategy, as well as on its financial planning.	NFIS/Report on climate change and other environmental and social issues
Risk management	The processes for identifying, evaluating, controlling and managing climate-related risks and how these are integrated into its global business risk analysis and its integration into the organization's global risk management.	NFIS/Strategic Priorities NFIS/Report on climate change and other environmental and social issues
Metrics and goals	Metrics, scenarios and objectives used to assess and manage important risks and opportunities related to climate change and, if calculated, the scope 1, 2 and 3 of its carbon footprint and how its reduction is addressed .	NFIS/Report on climate change and other environmental and social issues

2.3.1 Committed to sustainability

BBVA aims to align its activity steadily to the Paris Agreement and use its role as a bank to help its customers through finance, advice and innovative solutions to transition toward a more sustainable future, inspired by the Sustainable Development Goals. Specifically, the Group wants to help face challenges as important as climate change or support inclusive growth. Helping customers in their transition also represents a great opportunity, as it requires an unprecedented level of investment to innovate and deploy new technologies in practically all the sectors.

To this end, in 2021 BBVA has continued to make progress in decarbonizing its portfolio. It has announced its intention of reducing its exposure to coal-related activities to zero, and stopping the finance of companies in these activities by 2030 in developed countries and by 2040 in the rest of the countries where it operates. It has also set intermediate goals to decarbonize its portfolio in four emission-intensive industries, such as electricity generation, automotive, steel and cement which represent 60% of the world's CO_2 emissions[16]. Moreover, the Group will focus its efforts on supporting customers with finance, advice and innovative solutions in the joint effort of decarbonization.

2.3.2 Governance model

Corporate bodies

BBVA's corporate bodies have defined and driven the Group's strategy that incorporates sustainability and the fight against climate change as one of its priorities, having approved its basic elements (through its incorporation to the Group's strategic plan in 2019, and with the approval of the General Sustainability Policy in 2020) and carrying out periodic monitoring of its implementation in the Group.

For the Board of Directors, an essential element of this strategic approach is the integration of sustainability and the fight against climate change into the Group's activities, managing the risks associated with these areas, and considering them a great opportunity for business in which to support its growth strategy. Combined with this is the establishment of targets which facilitate their execution, supervision and monitoring. This approach allows the Group's corporate bodies to define the basic lines of action for BBVA as regards the management of opportunities and risks arising from sustainability and oversee their execution by the executive areas in all spheres of the Entity's operations.

In this work monitoring and supervising the implementation of the Group's sustainability, the Board is assisted by its committees specialized in their respective areas. Thus, the active role of the Executive Committee is particularly important in driving this strategy in the monitoring of the integration of sustainability in the Group's processes of business and activity, and their impact on its activity and results in accordance with its monitoring and analysis function of the development of the Group's key performance indicators.

Also important is the role of the Risk and Compliance Committee, which assists the Board of Directors in the integration of sustainability in the analysis, planning and management of the Group's risks, and in supervising their execution; that of the Audit Committee, in supervising the public information on sustainability reported to the market; and the Remuneration Committee, in driving the integration of indicators related to sustainability in the Group's variable remuneration model.

A specific example of this activity is the work of the Board in adopting very important decisions for the Group in the area of sustainability which are described in this report, such as the increased commitment to sustainable finance (Pledge 2025); the adoption of the Net Zero pledge for 2050; the determination of commitments related to the decarbonization of the portfolio; decisions related to the integration of risks associated with climate change in the management processes; as well as the creation of the Group's new Sustainability Area, raising the function to the highest executive level of the organization, as described in this report.

In addition to this, there is the work of the corporate supervisory and monitoring bodies for the implementation of the Group's sustainability strategy and activity, and compliance with the organization's objectives, which is carried out on the basis of the reports received by the Sustainability Area and the different areas of the Bank which incorporate sustainability into their daily businesses and activities. These reports are carried out for corporate bodies according to their competence, as described in the above paragraphs, either periodically or ad hoc (worth particular mention are the specific presentations drawn up at least twice a year for the Board of Directors and the Executive Committee).

In addition to the above and in order to achieve the best performance of its duties in this matter, the Board considered it necessary to strengthen its own knowledge and experience in sustainability, by onboarding people with extensive knowledge and experience and by a continuous training program to include sustainability-related subjects, such as sustainable finance or main trends that are being developed in the market on this matter.

Transversal integration of sustainability into the executive sphere

BBVA incorporates sustainability as part of its daily activities and everything it does, encompassing not only relations with customers but also internal processes. In this sense, the definition and execution of a strategy, which includes sustainability and climate change as one of its priorities, has a transversal nature, being the responsibility of all areas of the Group to incorporate it progressively into their strategic agenda and their work dynamics.

[16] According to the International Energy Agency and UNEP.

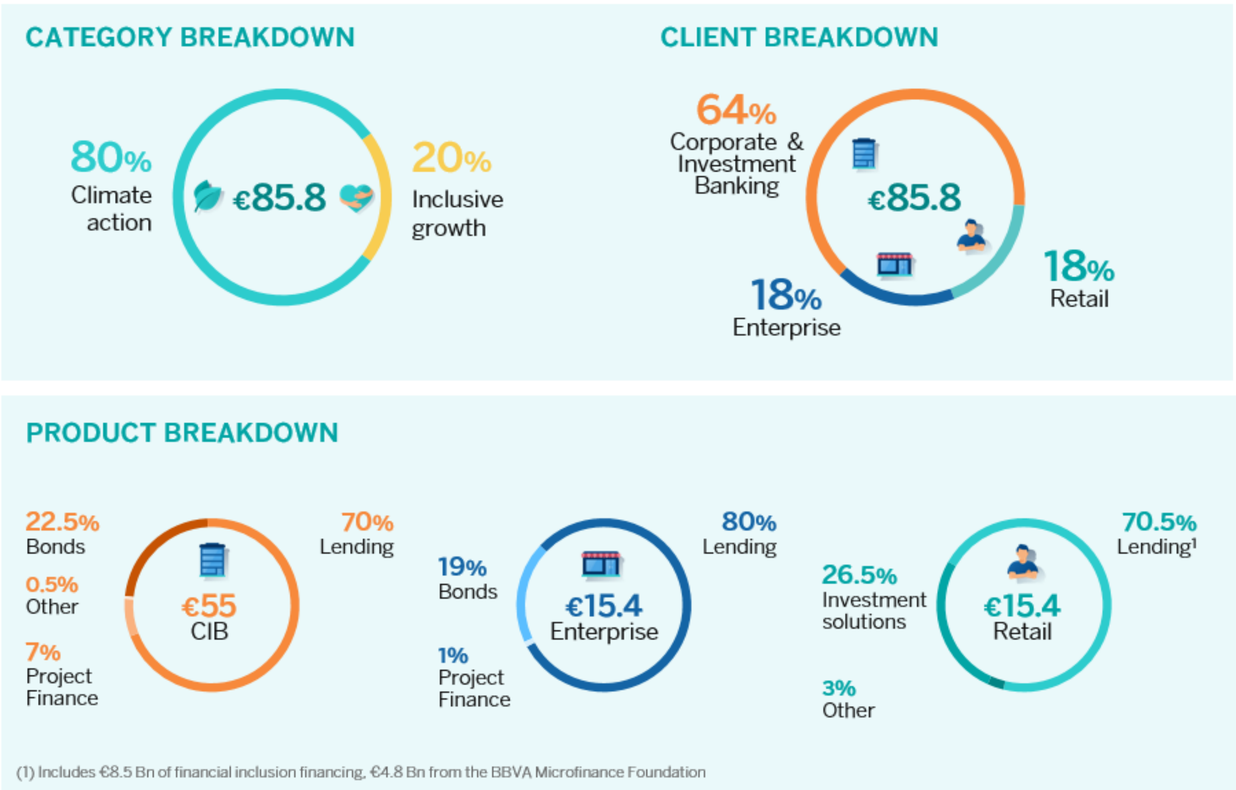
In 2021, BBVA gave a renewed boost to its strategy of increasing sustainability to the highest executive level of the organization, reporting directly to the Chief Executive Officer and the Group Executive Chairman (in this case, both linked to strategy and transformation), creating the global area Sustainability business area with the aim of becoming the model bank for customers in sustainability solutions.

In a context in which all the Group employees and areas integrate sustainability into their day-to-day activity, the new global area will design the strategic sustainability agenda, define and promote the lines of work in this area of the different global and transformation units (including Risk, Finance, Talent and Culture, Data, Engineering, and Organization) and develop new sustainable products.

In addition, BBVA has established a network of experts, comprising sustainability specialists from different areas of the Group (Client Solutions, Corporate & Investment Banking, Global Risk Management, Communication & Responsible Business), coordinated as a network by the global Sustainability area. These experts are responsible for building knowledge in the field of sustainability at the Group. This knowledge is then used to provide customer guidance, support areas in developing new value propositions in the sphere of sustainability, make climate risks part of risk management, and draw up a public agenda and set of sustainability standards.

2.3.3 Sustainable finance

With respect to finance, in 2021 BBVA increased its Pledge 2025, doubling its initial target of channelling sustainable finance to 200 billion euros through 2025. From 2018 to 2021, BBVA earmarked a total of €85,817m in sustainable activities, distributed as follows:



Figures in € Billion

In 2021 the Group has also strengthened its community involvement to support inclusive growth in countries where it operates, for which €550m will be allocated directly and through its support to foundations between 2021 and 2025. For more information about the community involvement, see the section "Community Commitment" in the chapter "Our stakeholders" in this report.

Among the solutions promoted by BBVA focused on identifying opportunities arising from climate change and inclusive growth, as well as creating value propositions and offering advice to individual and corporate customers that can be highlighted are:

Sustainable solutions for wholesale (corporate and institutional) customers as well as businesses

In 2021, in the sphere of sustainable corporate lending, the Bank mobilized globally a total of €10,044m in financed linked to the achievement of certain environmental and social indicators (KPI-linked) and linked to the customer's ESG rating (ESG-linked), both bilaterally and as a syndicate, among which are pioneering operations in the food sector. In Spain, BBVA has been a pioneer in incorporating mechanisms for the donation of part of the profit margin to sustainable or charity projects and BBVA remains one of the leading entities in the market in sustainable finance, having been lead sustainable coordinator in significant deals for the fifth year in a row. Outside Spain, BBVA has spearheaded several landmark operations, including a number of the main syndicated finance deals in Germany, the UK, Belgium, Mexico, Peru and Colombia. BBVA continues to work with its customers to develop new and demanding formats to link its long-term commitment to sustainability and to the objectives set by the European taxonomy and the Paris Agreement respectively.

Furthermore, BBVA remained extremely active in the financing of sustainable projects throughout 2021, participating in the mobilization of €1,274m (BBVA participation) of sustainable finance in the following main areas: (i) renewable projects; (ii) self-generation and energy efficiency; (iii) sustainable mobility projects; (iv) finance of sustainable agriculture; (v) social projects in the health and telecommunication sector to facilitate access to new technologies; and (vi) sustainable infrastructure projects.

Throughout 2021, BBVA has been very active in the issuance of green, social and sustainable bonds, and bonds linked to environmental indicators for customers in the United States, Mexico, South America, Asia and Europe, including Spain, with BBVA's total disintermediated volume being €6,683m. In 2021 European customers were very active. BBVA continues to support the development of the green bond market in Mexico, Colombia, Argentina and Asia, as lead arrangers of the inaugural issuance of bonds in many of these regions.

Moreover, in the transaction area, BBVA has signed operations for €4,958m, using its sustainable banking framework, as well as adding sustainability-linked transactions to its sustainable product offering. The market for financial products linked to sustainability is relatively new and it is growing rapidly, thereby allowing companies and sectors searching for ways to start or expand their sustainable trajectory to gain access to sustainable financing. Products linked to sustainability are intended to facilitate and support economic activity and growth in both environmental and social spheres. This new approach allows BBVA to actively support its customers in the transformation toward more sustainable business models.

To complete the sustainable offer, in 2020 the ESG Advisory service was created to help global customers in their transition to a sustainable future, with advice based on data and geared to facilitating commitments that customers are assuming, each from a different starting point, to align with the Paris Agreement and make progress in the UN Sustainable Agenda 2030. BBVA offers value-added information on regulation, best practices and the challenges and opportunities to sectors faced by the path to sustainability.

Moreover, BBVA promotes an overview of the whole range of sustainable products and services that can be offered from the Corporate & Investment Banking area, both in terms of debt and equity. This service has a global scope and is open to all sectors of activity.

Sustainable solutions for retail customers

BBVA wants to support its retail customers adopt more sustainable habits that help reduce their CO_2 emissions and wants to do so proactively, through the use of data-based tools and solutions that help control their consumption and emissions. To this end, it is working on making a wide range of investment and finance products available to customers to help them in this transition, adapting to the situation in each of the geographies in which the Group operates.

The sustainable solutions offering in the different countries aims to support energy efficiency and the decarbonization of the economy with products such as financing lines for the acquisition of hybrid and electric vehicles, green mortgages for sustainable housing, or loans for improving the efficiency of homes. In 2021, BBVA achieved its commitment in Spain of offering a sustainable alternative to all its products in this segment.

Also in Spain, in 2021 BBVA became the first entity to use data analytics to calculate the carbon footprint of all its individual customers, obtaining an approximate estimate of CO_2 emissions into the atmosphere, based on gas and light bills and payments for fuel.

Also, a line of inclusive growth is being boosted in the retail segment, mobilizing funds to the investment needed to build inclusive infrastructures and support inclusive economic development. Within this line, the products targeted at individuals are credit (cards, loans and mortgages), which comply with the income and/or vulnerability thresholds established for each country. Worth noting is the social mortgage, which is targeted at the segments of the population with the lowest purchasing power, and which subsidizes part of the total amount of the mortgage.

BBVA also supports entrepreneurs by granting loans to natural persons or legal entities which have begun an economic activity within the last 3.5 years, and offering finance to microenterprises, provided that they comply with the threshold levels for revenues established in BBVA's social taxonomy for each country. Of relevance for this segment is the program for financing female entrepreneurs BBVA has in Turkey, so women who have small and medium-sized enterprises can access loans in preferential conditions.

During 2021, BBVA mobilized a total of €6,471m: €4,250m in Spain; €548m in Mexico; €350m in Turkey; €56m in Colombia; €19m in Peru; and €13m in Argentina, €1,114m through the BBVA Microfinance Foundation and €121m in the United States.

Sustainable investment solutions

In 2021, BBVA Asset Management (BBVA AM), the Group's investment management unit that brings together all its asset management activities around the world, has made significant progress integrating sustainability, above all in the following aspects:

- Incorporation of the ESG extra-financial criteria in the process of investment and risk control decision-making for vehicles and portfolios they manage, both in the investment process and voting policy.
- Commitment to best sustainable investment practices which, in 2021, has consisted in adherence to the Responsible Investment Principles promoted by the United Nations, the Net Zero Asset Managers Commitment, to arrive in 2050 with net zero emission portfolios and the participation in other collective initiatives involving companies and governments.
- Exclusion policies. The exclusion policy affects companies which belong to sectors that are considered intrinsically harmful to society. For its application, BBVA uses exclusion lists of companies and countries, drawn up and updated periodically, with the help of an independent expert advisor. These lists include companies and countries related to defense materiel (military, police and security armaments, ammunition, explosives, etc.). Also excluded are investments in companies that severely infringe the principles of the United Nations Global Compact.

In 2021, the offer of sustainable products has been extended, meaning products which incorporate sustainable targets or metrics in their investment policy; with a total of 4 new mutual funds (2 in Spain, 1 in Mexico and 1 in Peru) and 7 pension plans (6 in Spain and 1 in Portugal). The assets under management in sustainable solutions at the close of 2021 was €5,598m and net new assets amounted to €1,559m.

ASSETS UNDER MANAGEMENT WITH SRI CRITERIA (BBVA ASSET MANAGEMENT. MILLIONS OF EUROS)

	2021	2020
Total assets under management	**119,307**	**109,355**
Europe	80,981	72,376
Mexico	30,179	26,034
South America	4,252	7,433
Turkey	3,895	3,512
SRI strategy applied		
Exclusion (1)	119,307	109,355
Vote (2)	111,160	72,376
Integration (3)	80,981	9,053

(1) The exclusion strategy applies to 100% of the assets under management.

(2) The vote strategy applies 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 geographical area.

(3) The integration strategy is applied in SRI pension plans and mutual funds of the Europe business.

For more information on how the group integrates ESG aspects in its customer relations, see the section "Integration of ESG aspects in the relationship with clients" in the chapter "Additional information" in this report.

2.3.4 Risks and opportunities associated with climate change

Climate change risks for BBVA

There are two type of risks that impact the business of BBVA or its customers:

Transition risks

These are the risks pertaining to the transition to a low-carbon economy, and which arise from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change.

TRANSITION RISKS

Risk subtype	Risks associated with climate change	Risk description	Time horizon (1)
Legal and regulatory	Increase in the cost of CO_2 emissions	Financial risk to BBVA clients whose liquidity or earnings could be harmed from having to face higher costs or, alternatively, higher investments in emission neutralization, resulting from regulatory changes	ST
		Increased cost of direct emissions from the Bank in its operations	ST
	Increase in monitoring and tracking requirements	Increased staffing and economic resources for the study and monitoring of the Group's clients, and tracking of their compliance with environmental requirements	ST
	Changes in the regulation of existing products and services	Uncertainty for financial agents regarding changes and their implementation	ST
		Impairment of client asset positions due to the generation of stranded assets (assets that prior to the end of their economic life are no longer able to earn an economic return)	MT
		Sales drop due to adjustments to offerings, to align with new legal specifications for a product	MT
	Increase in regulatory capital requirements due to risk associated with climate change Increase in regulatory capital requirements due to risk associated with climate change	Possibly different prudential treatment of financial assets in terms of riskweighted assets based on their exposure to physical and transition risks	MT
		Adverse regulatory changes that may cause certain exposures on BBVA's climate change balance sheet to have higher capital consumption	ST
	Risks of environmental lawsuits	Possible lawsuits against BBVA for not complying with environmental regulations in its business or supply chain	ST
	Risk of lawsuits against third parties	Potential lawsuits for environmental crimes against BBVA clients. BBVA could be impacted by its clients' loss of solvency resulting from an increase in litigation costs	ST
Technological	Replacement of existing products and services with lower-emission alternatives	BBVA clients with a position in sectors that are outperformed by alternative technologies could suffer solvency problems and their ability to cope with their credit commitments could be diminished	ST
	Failed investment in new technologies	Clients that invest in failed technology may go through solvency difficulties and be unable to meet their credit commitments	ST
	Cost of transitioning to low-emission technology	The investments which BBVA clients need to make to change their production models can be an opportunity but they can also negatively impact the balance sheet structure or profitability of said clients if not done properly. On the other hand, the necessary R&D investments could undermine the clients' ability to meet their commitments	ST
		Costs of investing in remodeling and adapting BBVA-owned buildings	ST

Market	Changes in (market) trends, financial agent and consumer preferences	Changes in demand caused by changes in consumer preferences can lead to falls in sales for BBVA clients and result in loss of profits and solvency	ST
		Reduction in demand for certain products can cause price falls that affect the valuation of companies' assets (crude oil reserves, fossil fuel cars, etc.)	ST
		Increased demand for certain products or services may impact on the price of certain raw materials. While this may be reflected in prices, it may lead to lower profits or the loss of BBVA's clients' market share	ST
		Risk of change in the Bank's client preferences for not considering the Bank well positioned in the sustainable segment	ST
	Uncertainty in market signals	Difficulty or impediments to proper price formation or allocation of financing or investment sums	ST
		Forecasts made by research agencies or services to dictate the strategy of entities may not be fulfilled due to abrupt changes in the market caused by changes in regulations or demand	ST
	Increased cost of raw materials	Sharp changes in the price of raw materials, resulting in changes in supply or energy cost, can lead to deteriorating liquidity and declining profits for clients. It can be mitigated with end-product price increases	ST
		BBVA's energy supply cost could also be affected	ST
	Financial risks	Risk of a significant increase in the cost of financing clients with higher exposure to climate risks, in a way that affects their solvency by making it more difficult for them to cope with their credit commitments	ST
		Risk of worsening the credit rating of clients with exposure to climate change risks, with the associated adverse effects for BBVA	ST
Reputational	Change in consumer preferences	Direct risk of client loss for not meeting what various stakeholders expect from BBVA as regards the climate change challenge and fostering a more inclusive world	ST
		Indirect risk of our clients losing business, which affects their solvency, because they engage in an activity that is not considered sustainable	ST
		Demand from clients to limit our operations' direct impacts	ST
	Stigmatization of a sector	Risk of assets stranded by a sharp change in the perception of a sector, with significant loss of sales	ST
	Investment exclusions in certain sectors due to market pressures	Withdrawal from profitable deals due to reputational risk or a sectoral ban	ST

ST: <4 years; MT: 4-10 years; LT: >10 years

Physical risks

Risks which arise from climate change and can originate from increased frequency and severity of extreme weather events or long-term weather changes, and which may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

PHYSICAL RISKS

Risk subtype	Risks associated with climate change	Risk description	Time horizon [1]
Acute risks	Increased severity of extreme weather events, such as cyclones and flooding	Reduced revenue from decreased production capacity (e.g. transport difficulties and supply chain disruptions)	MT
		Direct losses from asset damage (BBVA and clients)	MT
		Increased cost of insurance	MT
	Business continuity problems	Damage to BBVA facilities from environmental catastrophes that hinder normal service provision	MT
Chronic risks	Changes in precipitation patterns and extreme variability i 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: <4 years MT: 4-10 years LT: >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	Liquefied Natural Gas (LNG) as an alternative to other fossil fuels as it has a much lower level of emissions	MT
	Possibility of reusing oil & gas transport assets for biofuels and 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
Construction & infrastructures	Renovation of buildings (headquarters, housing, premises, etc.) as well as industrial plants in need of energy-efficiency improvements because of the increased regulatory impact	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, LNG and hydrogen)	ST
Mining & metals	Production of metals to manufacture electric vehicles (copper, lithium, cobalt and nickel among others)	MT
Agriculture	Efficient irrigation systems, use of waste as a source of biogas	MT
	Development of new anti-drought products	ST
Other sectors	Circular economy, recycling, waste and water treatment, tree planting, food industry, tourism industry conversion to carbon neutrality (Fossil fuel change, etc.)	ST

(1) ST: <4 years MT: 4-10 years LT: >10 years

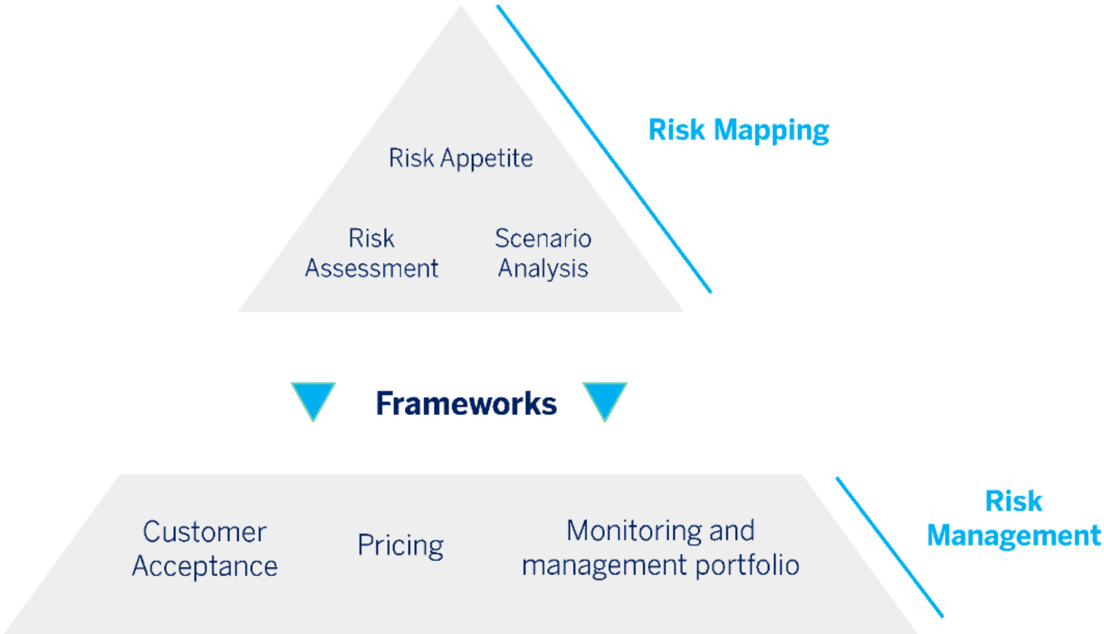
2.3.5 Management of risks associated with climate change

Integrating climate change into risk planning

The risks associated with climate change (transition and physical) are considered an additional factor that impacts the risk categories already identified and defined in the Group. Because of this they are managed through the Group's risk management frameworks (credit, market, liquidity, operational and other non-financial risks). As a result, the integration of the risks related to climate change within BBVA Group's risk management framework is based on the incorporation of correctly established processes and governance, taking into account regulations and supervisory trends.

Correct planning requires reliable, complete and up-to-date data. To this end, in 2021 a sustainable data strategy was implemented, based in the Principles for effective risk data aggregation and risk BSBC239, in which the sustainability data needs have been identified, the data gaps have been assessed and a conceptual model and implementation plan has been drawn up. All this is geared to guaranteeing a comprehensive vision of the Group's climate risks to ensure their correct control and management. Among the data incorporated, which respond both to regulatory and business needs, those related to customer climate scores, energy efficiency certificates, environmental indicators, greenhouse-gas emissions and sector metrics.

Climate risk management in BBVA Group is based on the process of risk planning which is marked by the defined risk appetite and makes use of management frameworks which establish how these risks are to be treated in day-to-day business activity.



Risk planning: Risk appetite Framework (RAF)

BBVA's Risk Appetite Framework, approved by the corporate governance bodies and applicable to all the Group's material geographical areas, determines the risk levels that BBVA is willing to assume to achieve its targets, considering the organic evolution of the business. It is organized as a pyramid structure that is based on thresholds of core and by risk type metrics and implemented through a framework of risk limits. The Framework has a general statement that sets out the general principles of the risk strategy and the target risk profile. The statement includes a commitment to sustainable development as one of the elements defined by the BBVA business model, stressing customer support in the transition to a sustainable future, and starting in 2022 incorporating the climate factor in risk management. This statement is complemented and detailed with an appetite quantification through metrics and thresholds that provide clear and concise guidance on the defined maximum risk profile.

In 2021 a transition risk metric was incorporated. This High Transition Risk metric measures Exposure at Default (EAD) in relation to capital of the activities most exposed to transition risk in accordance with the Taxonomy defined internally, specifically the activities classified as High or Very High risk. This taxonomy has been developed following recommendations by the TCFD with the aim of developing processes that identify and value climate risks, as well as the ECB Guide on environmental and climate-related risks. With respect to this metric, the Board of Directors of BBVA has approved thresholds at a Group and geographical area level, which determine the maximum appetite for this risk.

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 provides, firstly, a self-assessment of how the different climate-change related risk factors impact on the main types of risk currently existing (credit, market, liquidity, etc.); secondly, an analysis of the sectors that are most sensitive to this risk (under the so-called "internal risk taxonomy"); and, finally, the methodology used to assess the climate vulnerability of the relevant geographical areas where the BBVA Group operates. These last two aspects are integrated into the management through processes such as admission frameworks or the establishment of risk limits.

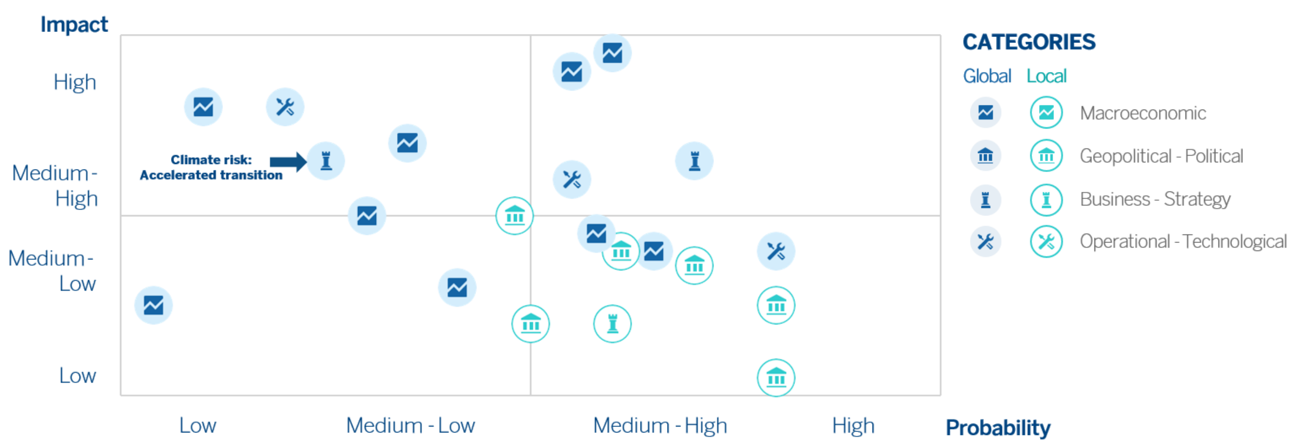
As part of its General Risk Management and Control Model, the Group develops periodic risk identification and assessment processes to, among other things, identify material risks that could have a negative impact on its risk profile and to manage those risks actively and proactively. These processes cover all types of risks faced by the Group in its daily activity, including those risks that are more difficult to quantify. The General Risk Management and Control Model approved this year is considered the specific form of sustainability as an essential part of the Group's strategy.

Global Risk Assessment is a prospective exercise which updates at least twice a year, and allows a comparison between risk types, business activities and moments in time, facilitating the understanding of the Bank's positioning and its development, and identifying the material risks to cover with capital. Since 2020 the Group has carried out a qualitative climate assessment, which assesses BBVA's vulnerability to transition and physical risk. As in the case of the global assessment, the climate assessment process is participative and global in the GRM area. The proposed assessment for each risk type is based on the risk specialists and verified by other group and geographical risk units. The results of the assessment are submitted to the highest executive risk committed (GRMC), as well as the corporate bodies, as this assessment is integrated in key corporate processes such as the Risk Appetite Framework and the Internal Capital Adequacy Assessment Process (ICAAP).

The climate risk assessment process runs parallel to the Group's global risk assessment, although there are two major differences with respect to it. First, there are still no mature indicators to assess the different risks quantitatively (although they are being developed); and second, the time horizon of the analysis is much more extensive. Specifically, the analysis is carried out for a short-term horizon coinciding with the planning horizon (4 years), medium term (4-10 years) and long term (over 10 years). The climate risk assessment, like the other risks, is carried out from two perspectives. First, risk events are identified that could materially affect the Group over a 12-18 month horizon. Next, the risk event matrix identified in 2021 is included. The events are ordered according to their severity, which is estimated on the basis of the likelihood allocated to each event and their estimated impact on the BBVA Group. In the event matrix, these risks are represented graphically by their estimated impact on BBVA Group and its allocated probability.

Climate risk has been included as a material event in this inventory since 2019. In the 2021 assessment the analysis of climate risk events has been broken down into physical and transition risks. In the short term an accelerated transition to a low-carbon economy is thought to involve an event of medium-high impact, although the probability given to this type of scenario is currently medium-low. In a long-term time horizon, the risk of physical climate change is incorporated into the inventory of emerging risks (those that could have an impact in a longer time horizon) and it is assigned a medium-high risk.

Risks with materialization in the short term: 12-18 month time horizon



The second approach followed in risk assessment is based on an assessment of the profile of each type of risk expressed in a heat map. In 2021 the climate risk assessment exercise was given greater profundity by including new risk factors including the customers' carbon footprints, the energy efficiency of real-estate secured loans and financed emissions. Similarly, work has been done on the preliminary inclusion of quantitative metrics for some risk factors and it has been extended to BBVA Group's material geographical areas.

The conclusions of the assessment for 2021 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 geographical area in adopting decarbonization policies. 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 at longer-term horizons.

The impact of transition risk on liquidity risk is due to the stability of the retail deposit base and the high asset quality of the liquid asset buffer. Market risk is equally low, due to the diversification of the equity portfolio and low exposure to sectors sensitive to transition risk in the fixed-income portfolio.

In operational risk, there is a difference in the perceived risk in Spain (medium-low) and in the rest of the geographical areas (medium-high), due to the greater exposure of the latter to physical risk in the medium and long term.

RISK ASSESSMENT CLIMATE CHANGE 2021

	Spain			Rest of geographical areas		
	ST	MT	LT	ST	MT	LT
Transition risk						
Credit	Moderate-low risk	Moderate-high risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk
Liquidity and funding	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Structural equities risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Credit spread risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Markets (trading)	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Insurance	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Operational	Moderate-low risk	Moderate-low risk	Low risk	Low risk	Moderate-low risk	Moderate-low risk
Reputational	Moderate-low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk	Moderate-low risk
TOTAL	Moderate-low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-low risk
Phisycal risk						
Credit	Low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk
Liquidity and funding	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Structural equities risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Credit spread risk	Low risk	Moderate-low risk	Moderate-low risk	Low risk	Moderate-low risk	Moderate-low risk
Markets (trading)	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Insurance	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Operational	Low risk	Low risk	Moderate-low risk	Moderate-low risk	Moderate-high risk	Moderate-high risk
TOTAL	Low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk

Temporary horizons definitions:

ST: short term; up to 4 years (planning horizon)

MP: medium term from 4 to 10 years

LP: long term; more than 10 years

- Low risk
- Moderate-low risk
- Moderate-high risk
- High risk
- Not applicable

In 2021 there has been an increase in transition risk, derived from the drive in Europe for both new regulations and updates of existing ones. Similarly, the determination of the decarbonization path to be taken in carbon-intensive sectors represents an expected increase in investment in capital expenditure (CAPEX), with the resulting impacts on credit risk. To this has to be added the greater awareness of people in general, foreseeable change in the demand for these emission-intensive sectors, as well as the increase in the price of CO_2 emission rights, which hit a high in Europe of €88.87/TCO2 in December 2021.

All this has highlighted the importance of clearly defining what sectors include a material transition risk and to what extent this could affect BBVA.

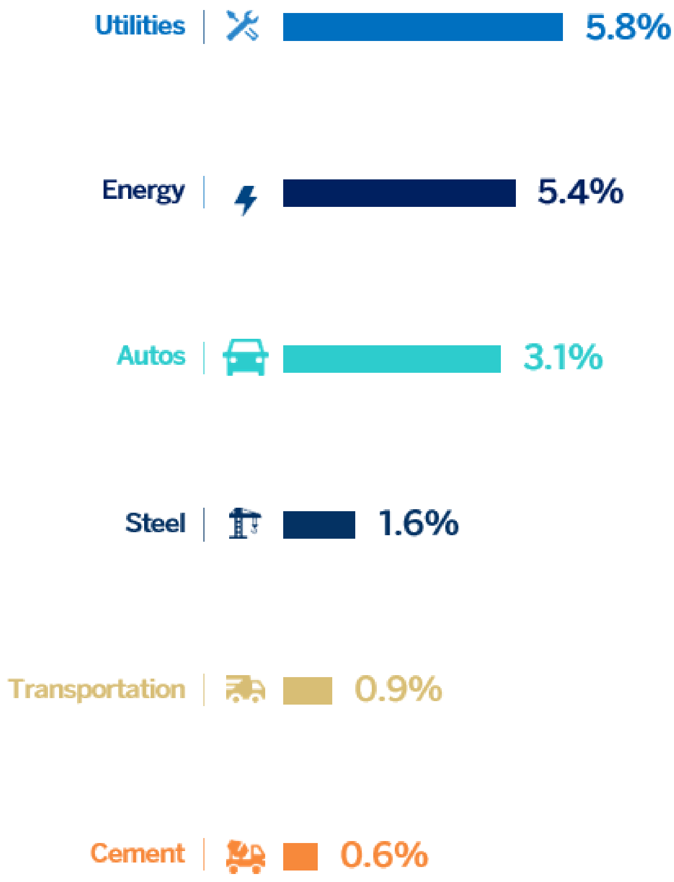
BBVA, within the scope of preparing and defining its industry frameworks governing the credit admission process, has developed an internal Taxonomy of transition risk in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the client level to assess their vulnerability and to integrate this aspect into risk and customer support decisions.

The estimation of the transition risk-sensitivity level is based on the qualitative analysis of the amount of exposure to regulatory, technological and market changes caused by decarbonization that may have a financial impact on the companies of the industry and on the estimation of the time horizon impact of these effects.

Thus, industries are categorized according to their level of sensitivity to transition risk: very high, high, moderate or low. The industries identified as most sensitive to transition risk are energy or fossil fuel generation sectors (energy, utilities, coal mining); emission-intensive basic industries (steel, cement); and activities that are final users of energy through their products or services (vehicles manufacturers, air and sea transportation).

As a result of this exercise, with data at 31 December 2021, 17.4% of the exposure measured by EAD of the wholesale portfolio (equivalent to 9.0% of the Group's portfolio) has been identified as corresponding to sectors defined as "high transition risk", with a high or very high level of exposure to this risk. This calculation was made on a portfolio of €190,880m (of the Group's total EAD of €368,819m), corresponding to the EAD of the wholesale lending portfolio.

The percentage of exposure measured by EAD of the sectors sensitive to the transition risk of the wholesale portfolio over the EAD of the wholesale portfolio at December 31, 2021 are as follows:



Internal development. It includes the percentage of exposure (exposure at default) of activities internally defined as "transition risk sensitive" over the EAD of the wholesale portfolio at December 31, 2020 (does not include subsidiaries of Garanti, Forum Chile, Uruguay, Venezuela and BPI). The "transition risk sensitive" portfolio includes activities that generate energy or fossil fuels (energy, utilities - excluding renewable generation and water and waste treatment -, coal mining), basic industries with emission-intensive processes (steel, cement) and final activities users of the energy through their products or services (vehicles manufacturers, air and sea transportation), with an intermediate, high or very high level of sensitivity to this risk.

Work is also being done to extend this calculation to the SME and self-employed sector. The preliminary results obtained with data as of June 2021 indicate that the EAD associated with high or very high transition risk in this portfolio is limited, at around 3%, and focused mainly in Spain and in the automotive (components) sector.

In addition, climate and environmental risk impact has been incorporated into country risk analysis since 2019, as an additional input for establishing risk policies affecting exposures to private or sovereign administrations of all the countries with which the Bank has some type of risk (100+ countries).

To this end, a Climate Vulnerability Index (hereinafter, the CVI) has been created for more than 190 countries, which captures the physical risk and, to a lesser extent, the transition risk of each country, based on international indicators (e.g., Global Adaptation Index of the University of Notre Dame, ND-GAIN, and the Energy Transition Index, ETI, produced by the World Economic Forum). Subsidiarily, vulnerability indices issued by other international organizations and by the three rating agencies are also taken into account.

The methodology establishes 5 climate vulnerability levels, which are a comparative classification, as all countries have a certain level of vulnerability given the global nature of this phenomenon. The CVI has been integrated into risk management by including a specific section in country risk reports, so it is a factor that is taken into account when establishing risk limits (particularly in the most vulnerable countries). It is also taken into account in setting country ratings and outlooks.

In 2020 a methodology was also launched to determine climate vulnerability at the sub-national level (regions, provinces, cities). To this end, indicators developed by internationally renowned institutions such as the Andean Development Corporation (CAF), the EU or BBVA Research. Work has also been done to incorporate transition risk to a greater extent in the CVI.

Analysis of scenarios and stress testing

Scenarios and internal stress tests

Scenario analysis is one of the main tools for integrating climate change into risk management, as it allows a valuation of the vulnerabilities with a prospective vision, thus allowing early adoption of mitigating measures which prevent the materialization of severe shocks. Scenario analysis also enables the assessment of the risk factors' impact on the metrics defined in the Risk Appetite Framework.

In 2021 the climate scenarios have been integrated into the governance of BBVA Group's internal scenarios, with initiatives being developed in three areas:

1. Reflection on the climate has been present in preparing the baseline budget scenario for 2021.
2. The climate driver has been integrated into the high-level risk scenarios (HLRS) which are monitored and assessed continuously in the Group by the Scenario Working Group. They serve as a basis for choosing the scenario which is used in the Group's internal capital adequacy process (ICAAP).
3. An internal pilot project has been carried out to assess the short-term (4 years) and long-term (20 years) impact on credit risk of two climate stress scenarios. A start has been made in Spain, the most important geography for the Group, and for transition risk, because of its greatest relevance, severity and plausibility in the short term, rather than physical risk, which has longer-term material and persistent impacts.

To do so, and in line with supervisory expectations, three alternative transition risk scenarios have been selected based on a set of representative scenarios defined by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS):

- Current Policies Hot House in which only the climate policies currently implemented are continued and therefore there is no transition risk, but with a high exposure to physical risks given the increase in global warming. This is considered the baseline scenario.
- Orderly transition with Carbon Dioxide Removal (CDR), managing to limit temperature growth to 1.5ºC.
- Disorderly transition with limited CDR, managing to limit temperature growth to 1.5ºC.

The two transition scenarios are relevant for the purposes of a bank stress test. The disorderly scenario of 1.5°C is not only consistent with the Paris Agreement target, but requires the highest carbon prices of all the set of NGFS scenarios; it is therefore the most intense transition scenario and the highest risks, which makes it an obvious candidate for a stress test. Moreover, the orderly 1.5°C scenario presents a trajectory in which the adjustments for transition are progressive and gradual, as well as ambitious, although they also represent vulnerabilities.

The pilot internal stress test has been structured on the basis of these latest scenarios. This pilot project has been undertaken with a sector-based approach, adapting existing models, and transferring to the main macro variables the impact of temperature growth.

This analysis concludes that in the short term, the most affected portfolios will be SMEs and Mortgages. In SMEs the most emission-intensive sectors have a high impact at expected loss level, although in staging the impact it is very low as a result of the good quality of the current portfolio. In terms of the impact by sectors of Transition Vulnerability Factors (TVFs), which are risk factors specific to the industry which capture the dependence of an industry to CO_2 emissions in relation to the economy as a whole, in the short term both in the orderly and disorderly transition scenarios the greatest impact is observed in the same emission-intensive sectors.

In the long term, the impact of TVFs does not alter the order of the top 3 obtained in the short term.

Regulatory and supervisory scenarios and stress tests

In October 2021, the ECB published the methodology for the stress tests on climate change risk programmed for 2022 in the months March to July. This test represents major challenges from the perspective of data and methodologies. In 2021 work has been done on a preparatory phase for providing a response to it.

Identification, Measurement and Integration of climate change into risk management

Once climate risk is incorporated into the Risk Appetite Framework and the business strategy, it also must be included in the day-to-day risk management, which is a part of the risk decision making that supports the Group's clients.

For that purpose, the identification and measurement of this risk type for subsequent integration into the existing management frameworks and processes is required, including the adaptation of policies, procedures, tools, parameterization, risk limits and risk controls in a consistent manner. In a first phase, adaptation is focused on the integration of this risk in the industry frameworks (a basic tool in the definition of our risk appetite in wholesale loan portfolios), and in the Mortgage and Auto Operating Frameworks in retail credit. Currently, BBVA is developing the methodologies and tools it needs to identify and measure the different components of climate risk, and the financial impact analysis of each of them for subsequent integration into the management.

Loan portfolio alignment with Paris Agreement

The role of the bank is key as the financier of all the productive sectors. The influence which may be exercised by this finance on its customers' behavior and in their environmental performance, is critical for achieving the targets of the Paris Agreement.

Within the framework of this focus of climate action, in April 2021 BBVA announced the Net Zero 2050 commitment (net zero emissions by 2050), including the emissions of customers who receive finance from the Bank. BBVA wants to support its customers in their transition towards a more sustainable, with plans and specific targets. It has undertaken to publish alignment targets for the sectors defined in the Guide to set the Net Zero Banking Alliance objectives.

BBVA has pledged to reduce its exposure to carbon-related activities to zero, and stopping the finance of companies in these activities by 2030 in developed countries and by 2040 in the rest of the countries where it operates.

BBVA, together with four banks which have signed the Katowice commitment, and with the support of the think tank 2 Degree Investing Initiative (2DII), has adapted the methodology called PACTA (Paris Agreement Capital Transition Assessment) to the banking sector. The concept of alignment seeks the transformation of activities considered particularly CO2 intensive, and as a result contrary to compliance with the Paris Agreements. This alignment creates an incentive for companies to shift their productive model to greener activities.

The commitment to alignment acquired by BBVA implies establishing a framework which is composed of objectives and commitments for the different sectors committed within the methodology chosen over the next 20 years. In 2021, BBVA published intermediate decarbonization objectives through 2030 for the electricity generation, automobile, steel and cement sectors which represent, together with coal, 60% of the global CO_2 emissions.

Below are details of the metrics chosen to measure alignment within the framework of the Katowice group for the sectors in which decarbonization targets have been set for 2021. Included are the scope of emissions considered, benchmark scenarios, the metrics of the current situation and the target for decarbonization through 2030.

Sector	Emissions scope	Metric	Benchmark scenario	BBVA baseline (2020)	BBVA 2030 target	Absolute effort	CAGR (1)
Power	1+2	kg CO_2e/MWh	IEA Net Zero 2050	**249**	**120**	(52)%	(7.0)%
Auto	3	g CO_2/km	IEA Net Zero 2050	**220**	**118**	(46)%	(6.0)%
Steel	1+2	kg CO_2/tonne steel	IEA Net Zero 2050	**665**	**515**	(23)%	(2.5)%
Cement	1+2	kg CO_2/tonne cement	IEA Net Zero 2050	**695**	**575**	(17)%	(1.9)%
Coal	NA (1)	Portfolio tred (€Mn)	NA (1)	Phase out plan already announced in March 2021: • 2030 for developed countries • 2040 globally			

(1) Does not apply

(2) Percentages are the Compound Annual Growth Rate between the base year (2020) and 2030

Calculation of financed emissions

BBVA has been working on this carbon footprint measurements for customers or financial assets, so that it attributes to BBVA in its accounting or indirect emissions the equivalent percentage issues of the debt.

To make this measurement, BBVA is implementing the PCAF (Partnership for Carbon Accounting Financials). This project will cover all the portfolios and geographies to obtain a global vision of the emissions financed, identify in what portfolios and sectors these emissions are focused and then define mitigation plans for them, and a cross-cutting vision of the quality of the data we have available to make these calculations.

In an initial estimate of the emissions of the finance to corporate clients and SMEs determined by BBVA SA (made with emission factors based on customer activity), we obtain 80% of the emissions focused on 6 sectors, of which the biggest emitters are: manufacturing, mining and electricity generation.

Measurement and integration of transition risk

The need to decarbonize the economy, as a consequence of climate change, requires a reallocation of resources between more emission intensive activities and those less affected. This dynamic between sectors can be further accelerated in those industries where transition risk brings the time horizon impact closer, or where regulatory measures or technological developments set the implementation schedule.

It is therefore natural to integrate these two factors results in the integration of climate factors into credit risk management processes. through the wholesale credit industry frameworks of those sectors most strongly impacted.

In 2021, sustainability factors have been incorporated as one of the dimensions of the analysis in the Operating Frameworks of all the sectors are included in the taxonomy as "high transition risk". These frameworks analyze, based on long-term scenarios aligned with the targets of the Paris Agreement, the financial impact of decarbonization of risks and opportunities, as well as the time horizon of the changes generated by climate transition. This is done by considering the impact on the sector of factors such as the carbon price, new regulations related to the climate transition, technological investment or transformation (change in the generation mix of energy/utilities, or electrification in the case of vehicles) and the changes in the patterns of consumption of customers or consumers. The industry frameworks take into account the transition strategies developed by the Bank’s main client in each sector.

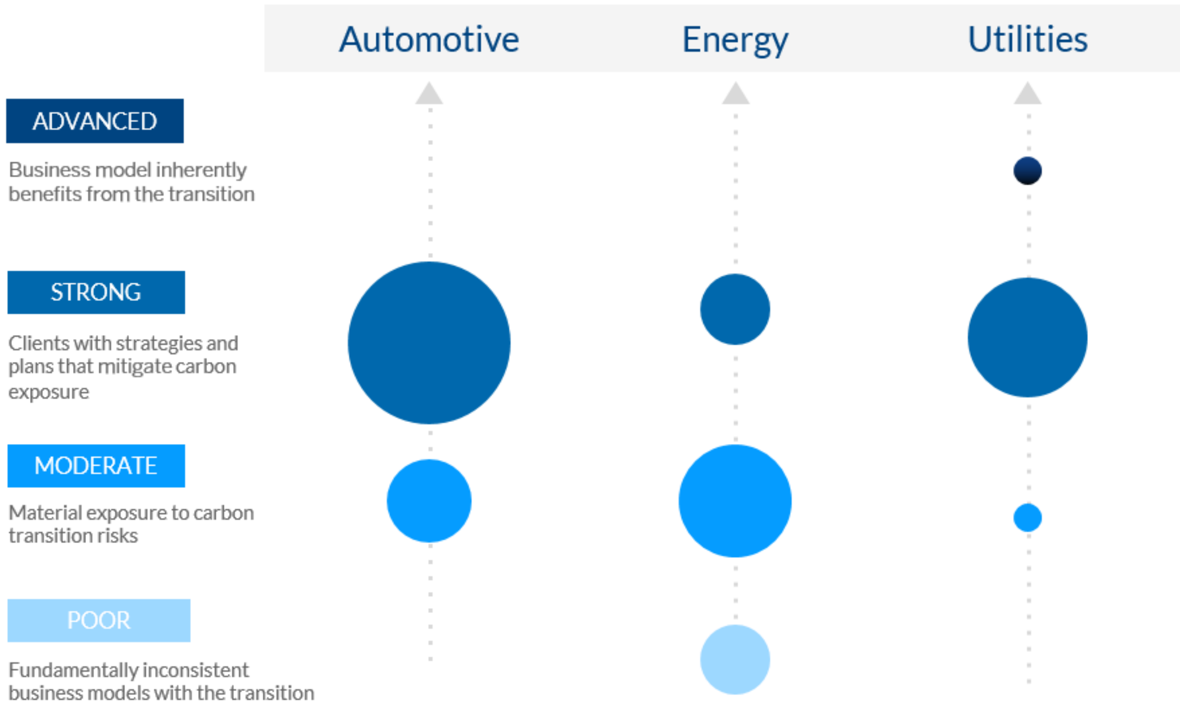
This exercise has allowed climate transition risks and opportunities to be incorporated in the risk portfolio view exercise which is carried out every year, where risk appetite is defined at sector level. Based on the analysis, the vision of risks of some of the sectors and subsectors with greatest exposure to transition risks has been revised.

Together with the integration into the industry frameworks, the systematic integration of sustainability factors into the customer analysis processes for credit origination purposes began in 2021, thus allowing their incorporation in decision making. BBVA has aligned the loan policies to origination and monitoring guidelines issued by the European Banking Authorities. It assesses customers' ESG and climate risks, with particular attention to the sectors classified as sensitive, called sectors with high transition risk.

This analysis is carried out based on an ESG questionnaire which reveals the climate change strategies, governance strategies and climate change risks and opportunities, decarbonization metrics and targets, and progress made in the management of other material ESG aspects for the customers' sector of activity. This questionnaire allows us to generate a transition scorecard for customers in any sector.

Moreover, for sectors classified as of high transition risk, an advanced scorecard has been developed to incorporate transition risk dimensions in the customer's profile. The scorecard assesses the current low-carbon profile; its transition risk in the geographical areas where it operates (and the measures taken to mitigate its exposure to long-term transition risk); its level of reporting on climate management, and the integration of results into the Paris Agreement commitments. The result of the scorecard is a valuable tool to enhance commitment to customers by identifying their strengths and weaknesses and allows specific products to be defined to help them in the transition to low-carbon business models.

The following chart shows the results of the scorecard of the main customers in BBVA's automobile, oil and gas as well as utilities portfolio.



In 2022, work was done to integrate these tools and measure the transition risk of customers and portfolios (in the rules, policies and procedures for managing habitual risks).

In the retail area the transition risk analysis was focused on the Mortgage, Auto Loan and SME portfolios. In all of them, one of the main aspects that determines the transition risk are carbon emissions associated with each of them. These emissions are associated with the use of fossil fuels or electricity, or dependence on them for the correct operation of the asset or customer. The PCAF financed emissions are thus used as a level to identify the customers or assets most sensitive to changes in regulation, fuel prices or depreciation of certain types of "unsustainable" assets. In turn, to mitigate risk, BBVA also acts as a financing facilitator to address the investments required for climate change mitigation and adaptation to climate change with more sustainable forms of life and products.

In the case of mortgages, significant progress has been made to define the sustainable criteria for classification when a mortgage guarantee is considered sustainable according to its efficiency in the use of energy or water resources. These criteria determine the customer's option to choose a sustainable product which, in general, includes discounts. Thus in 2021 the necessary mechanisms have been implemented to promote the acquisition of sustainable housing, thus increasing BBVA's ratio of sustainable finance. Moreover, it is worth noting that for transition risk and the estimation of emissions, detailed information is needed on the characteristics of mortgage collateral (size, efficiency, location, etc.). In 2021, in geographical areas such as Spain (the most important geography in the portfolio by volume of exposure), these data were captured for the first time with an extensive coverage. In 2022 work will continue to improve the availability of data in the rest of the geographical areas.

In the case of vehicle loans, as well as the type of fuel, mechanisms are being implemented to have information available associated with average emissions of each vehicle based on its make, model and version. As in the case of mortgages, finance with sustainable products is promoted when they comply with sustainability criteria, which define the maximum emissions for each geographic area under the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a protocol for the approval of vehicles within the European Union).

Classification and measurement of physical risk

Physical risk is associated with the location of customer assets and activity. It may be materialized in credit risk by different channels of transmission, impacting multiple forms such as customer purchasing power, business productivity, market demand and asset value. In 2021, BBVA's learning curve increased exponentially in this field and its level of maturity and knowledge of the different methodologies to evaluate the physical risk made considerable progress. The most relevant initiatives to highlight are the construction of sector vulnerability heat maps, the assessment of sources of climate data and market suppliers and the physical risk exercises carried out with a variety of suppliers to calculate a marker with both end-to-end solutions and with geospatial technology suppliers. This work will continue very active in 2022.

With respect to sector vulnerability, a physical risk vulnerability heat map has been developed for Wholesale and Investment Banking and SMEs, following the best practices identified by the Taskforce on Climate-Related Financial Disclosure (TCFD) and the United Nations Environment Program Finance Initiative (UNEP FI). The heat map is the basis for generating a qualitative classification of the portfolios in accordance with their potential exposure to climate risks. It also allows the identification of sectors whose business model and activity may be impacted by chronic or acute changes in the climate.

The heat map indicates the potential exposure, according to eight vulnerability indicators at the subsector level which allows the identification of vulnerability at the different stages of the value chain:

- Supply chain: dependence on natural resources and sensitivity of the supply chain to climate changes.
- Logistics: dependence on transport routes.
- Own operations: vulnerability of assets and processes, dependence of the labor force and vulnerability of its productivity, dependence on energy supply and impact of physical risks in the social and environmental performance of the asset.
- Sales: sensitivity of sales to physical climate change.

As a result, the sectors identified with the greatest vulnerability to physical risks, have been energy generation, utilities, basic materials, construction, consumption and real estate.

In addition, as part of the work group of UNEP-FI, BBVA carried out an exercise to assess the physical risk score with a sample of the mortgage portfolio, based on the location of the collateral. For this, physical risk was analyzed for a variety of climate dangers estimated for the year 2040 with a scenario of a greenhouse gas concentration of RCP 8.5 (hog house IPCC scenario). The results obtained show that in the case of Spain the most significant dangers are water stress, forest fires and heat stress. These dangers are related to the increase in temperature and reduction in average precipitation. The risks of flooding are limited and focused on the coast and river banks. In the case of Mexico, the most significant risks are the same as for Spain, with the added risk of hurricanes, which are extremely significant in the far east and west of the country. In South America, the risks associated with water, heat and fire stress are relevant, but also worth noting is the greater risk of flooding due to the local geography and changes in expected precipitation patterns.

The progress made in 2021 has allowed a definition of an action plan whose objective is to measure the exposure of wholesale and retail portfolios to the different climate dangers and begin to integrate risks into the risk policies and processes.

Finally, and as mentioned in previous sections, the BBVA Group is committed to sustainable development, being one of the elements that defines BBVA's business model. In this regard, the General Retail Credit Risk Policy establishes that one of the general principles governing retail credit risk management in the BBVA Group is respect for equality and diversity, preventing access to financial products there is unfair bias for reasons such as gender, color, ethnicity, disability, religion, sexual orientation, or political opinion.

Additionally, the Model's General Risk Management Policy establishes that in order to avoid 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.

2.3.6 Management of direct and indirect impacts

As a financial institution, BBVA has an impact on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly, and most importantly, through its lending activity and the projects it finances.

Management of direct environmental impacts

BBVA has a clear commitment to both society and the environment. The global strategy of the reduction of direct impacts is organized around four core elements: reduction in consumption through the energy efficiency initiatives; use of renewable energy; awareness and involvement of employees and other stakeholders in the path toward a low-carbon economy; and offsetting its carbon footprint through the purchase of credits of projects of the Voluntary Carbon Market to comply with the commitment acquired in 2020 to be a carbon-neutral company.

This commitment embodies in BBVA's climate change strategy (the Pledge 2025), whose objectives are, first, a reduction of 68% of Scope 1 and 2 CO_2 emissions with respect to 2015, and a consumption of 70% of renewable energy by 2025, and 100% by 2030. In line with the latter objective, BBVA has since 2018 adhered to the RE100 initiative, through which the most influential companies in the world have agreed that their energy would be 100% renewable by 2050.

New Global Eco-Efficiency Plan

BBVA has also established other ambitious objectives in its climate strategy. They are included in the Global Eco-Efficiency Plan, in force from 2008, and which was renewed in 2021 for the period 2021-2025[17].

The New Global Eco-Efficiency Plan sets direct targets for year-on-year impact reduction and the achievement of the Pledge 2025:

GLOBAL ECOEFFICIENCY PLAN GOALS 2021-2025

Vector	Indicators	Global target(1)	Pledge target(2)
Compsuntions	Renewable electricity (%)	77 %	70 %
	Electricity consumption per employee (MWh/FTE)	(10)%	
	Energy consumption per employee (MWh/FTE)	(7)%	
	Water consumption per employee (m^3/FTE)	(11)%	
	Paper consumption per employee (kg/FTE)	(11)%	
Circular economy	Net waste per employee (t/FTE)	(4)%	
Carbon footprint	Scope 1&2 carbon emissions (tCO_2e)	(67)%	(68)%
Sustainable building	Environmentally certified area (%)	45 %	

(1) Base year 2019

(2) Base year 2015

This plan is based on four lines of action:

1. Consumption

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

   - Electricity consumption: BBVA's strategy is focused on the use of renewable energy, given that the most important level for contributing to the decarbonization of energy markets where the Group operates. The goal is to increase steadily its weight to comply with the Pledge 2025. The strategy for this consists of reaching Power Purchase Agreements (PPAs), such as those already in place in Mexico, Spain and Argentina, as well as the acquisition of renewable energy certificates and Guarantees of Origin in Spain and Portugal, or international Renewable Energy Certificates (iRECs) in Mexico, Colombia, Peru and Turkey. There will also be a commitment to self-generation of renewable energy by the installation of solar photovoltaic and solar thermal panels in the Group's facilities, as is already happening in a number of subsidiaries in Turkey, Uruguay and Spain.
   - Implementation of energy saving measures (ESMs) for the operation of buildings, to control and reduce consumption.
   - Initiatives for the reduction of water consumption, such as gray water recycling systems and rainwater recirculation for irrigation in the headquarters of Spain and Mexico, and the installation of waterless urinals in some of the buildings in Spain.
   - Finally, there are measures for the digitalization and centralization of printing to reduce the consumption of paper, 76% of which is also recycled or environmentally certified in most of the geographies.

[17] To establish the PGE 2021-2025 targets the base year 2019 has been used, as consumption in 2020 was skewed by the effect of the pandemic.

2. The circular economy

Waste generation is becoming a serious problem at global level, so part of BBVA's contribution to sustainable development must consist in transitioning linear consumption practices to circular consumption. BBVA has been working for many years to reduce this impact through sustainable construction standards and the implementation of environmental management systems certified with ISO 14001. The aim is to reduce to a minimum the waste which is sent to landfills, so our facilities have clearly differentiated and clearly marked zones which allow us to carry out a correct segregation and recycling of waste. Moreover, under our action plan all these sustainable practices comply with zero waste management standards in some of the Group's geographic areas such as Turkey and Spain. Moreover, in Argentina the BBVA headquarters in Buenos Aires received the Green Seal of the city's government in 2021, certifying its responsible waste management.

3. Carbon footprint

The reduction of the carbon footprint is one of the goals established within the Pledge 2025. BBVA's total emissions are composed of:

- Scope 1 greenhouse gas emissions, which include direct emissions from combustion facilities for own use, combustion of the fleet of vehicles and refrigerant gasses.
- Scope 2 greenhouse gas emissions, including indirect emissions related to electricity production, purchased and consumed by buildings and branches.
- Scope 3 greenhouse gas emissions, which include other indirect emissions. This scope for BBVA includes the emissions from business trips (plane or train), emissions by waste management and emissions due to the trips made by our employees to their place of work.

Both Scope 1 and 2 emissions and Scope 3 emissions are calculated according to the GHG Protocol standard established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Since 2020, BBVA has been a Carbon Neutral company by offsetting its residual emissions through the purchase of credits on the Voluntary Carbon Market. Moreover, in line with the recommendations of the Taskforce on Scaling Voluntary Carbon Markets, BBVA has established requirements for the selection of projects with which to offset its residual emissions. Among these requirements are the obligation for projects to be certified under the maximum quality standards such as the Verra Verified Carbon Standard (VCS) and the Gold Standard; and that preferably they should be projects for the absorption or capture of CO_2.

4. Sustainable construction

Another of the objectives is to guarantee the implementation of the best environmental and energy standards in BBVA buildings to achieve a large percentage of environmentally certified area. In fact, the BBVA facilities hold a number of construction and management certification.

Among the construction certifications, there are 16 buildings and 1 Group branch with the prestigious LEED (Leadership in Energy and Environmental Design) for sustainable construction. These buildings include the Group's headquarters in Spain, Mexico, Argentina and Turkey. Three of them have also received the highest certification, the LEED Platinum.

With respect to management certifications, BBVA has implemented an Environmental Management System in many of its buildings, based on the ISO 14.001:2015 Standard, which is certified every year by an independent entity. This certification is used to control and evaluate environmental performance in the operations of some of its buildings. This system is implemented in 86 buildings and 1,034 branches in the main countries where the Group operates. Moreover, the headquarters in Turkey also has the WWF Green Office certification, which promotes the reduction in the carbon footprint and carbon emissions; and the Ciudad BBVA, the Bank's headquarters in Spain, has obtained the AENOR "toward zero waste" seal as a prior stage to obtaining the "zero waste" certification of a standard which promotes the circular economy. Finally, three of our buildings in Spain also have an Energy Management System that has been certified by an independent third party and complies with the ISO 50.001:2018 standard.

MAIN INDICATORS OF THE GLOBAL ECOEFFICIENCY PLAN [(1)]

	2021				2020
	2021 Goal (%)	**Reference value**	**Δ 21-19**	**Δ 21-20**	**Reference value**
Renewable electricity (%)	73 %	79 %			71 %
Electricity consumption per employee (MWh/FTE)	(5)%	5.76	(14)%	(4.4)%	6.02
Energy consumption per employee (MWh/FTE)	(4)%	6.46	(14)%	(3)%	6.65
Water consumption per employee (m^3/FTE)	(1)%	17.9	(5)%	— %	17.98
Paper consumption per employee (kg/FTE)	(8)%	33.8	(32)%	4 %	32.65
Net waste per employee (t/FTE) [(2)]	(2)%	0.02	(52)%	(10)%	0.02
Scope 1&2 carbon emissions (tCO_2e) [(3)]	(59)%	91,994.55	(54)%	14 %	80,390.37
Environmentally certified area (%) [(4)]	41 %	39 %			41 %

Note: These indicators are calculated on the basis of full time employees. The base year for the new Global Ecoefficiency Plan will be 2019 since 2020 has been a year that, due to the circumstances of the pandemic, could distort the evolution.

(1) The data shown here includes the countries Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey and Uruguay. Some of the data for 2021 are estimates, as complete information for the year was not yet available at the close of the report.

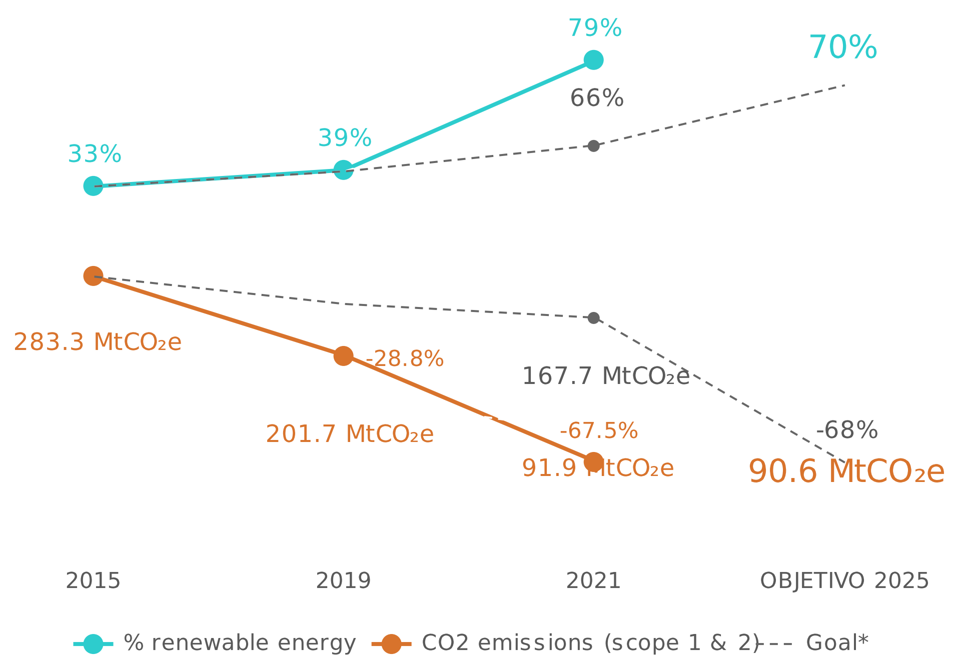
(2) Net waste is the total waste generated minus the waste that is recycled.

(3) Includes scope 1 (fuels in installations and vehicle fleet and refrigerant gases), scope 2 market-based

(4) Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office certifications.

Environmental performance in 2021

ENVIRONMENTAL PERFORMANCE 2021



* CO_2 Emissions Goal (scope 1 & 2) en $MtCO_{2e}$

The Group's environmental footprint shows very positive data compared to the baseline year 2019[18], with reductions of 54% in Scope 1 and 2 emissions (according to the market-based method), 14% in electricity consumption, 5% in water consumption and 32% in paper (all per person). The percentage of renewable energy consumption has reached 79%, and the environmentally certified area was 39%.

[18] The base year of 2019 has been used because consumption in 2020 was skewed by the effect of the pandemic.

ENVIRONMENTAL FOOTPRINT (BBVA GROUP)[1]

	2021	2020 [7]
Consumption		
Total water comsuption (cubic meters)	1,925,850	1,924,660
Public water supply (cubic meters)	*1,873,473*	*1,924,660*
Recycled water (cubic meters)	*52,377*	*n.a.*
Paper (tons)	3,636	3,521
Energy (Megawatt hour) [2]	695,140	717,011
Energy from renewable sources (Megawatt hour)	*491,542*	*462,280*
Energy from non renewable sources (Megawatt hour)	*203,598*	*254,731*
CO_2 emissions		
Scope 1 emissions (tons CO_2e)[3]	49,639	12,235
Emissions from fuels in facilities (t CO_2e)	*13,669*	*12,235*
Emissions from vehicle fleet fuels (t CO_2e)	*8,509*	*n.a.*
Emissions from refrigerant gases (t CO_2e)	*27,461*	*n.a.*
Scope 2 emissions (tons CO_2e) market-based method [4]	*42,355*	*68,155*
Scope 2 emissions (tons CO_2e) location-based method [5]	202,492	243,033
Scope 1&2 emissions (tons CO_2e) market-based method	**91,995**	**80,390**
Scope 1&2 emissions (tons CO_2e) location-based method	**252,131**	**255,268**
Scope 3 emissions (t CO_2e) [6]	9,432	5,843
Emissions from waste management (t CO_2e)	*1,034*	*n.a.*
Emissions from business travel (t CO_2e)	*3,073*	*5,843*
Emissions from employees commuting (t CO_2e)	*5,325*	—
Total CO_2e emissions (t CO_2e) market-based method	**101,426**	**86,233**
Total CO_2e emissions (t CO_2e) location-based method	**261,563**	**261,111**
Social cost of carbon (Scope 1&2) (€) [8]	4,121,480	n.a.
Waste		
Hazardous waste (tons)	120	31
Recycled hazardous waste (tons)	*59*	*n.a.*
Disposed hazardous waste (tons)	*61*	*n.a.*
Non-hazardous waste (tons)	*4,198*	*3,250*
Recycled non-hazardous waste (tons)	*2,343*	*n.a.*
Disposed non-hazardous waste (tons)	*1,855*	*n.a.*
Single-use plastics [9]	*27*	*n.a.*
Donated IT equipment (units)	1,165	347,382

(1) The data shown here include Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey and Uruguay. Some of the data for 2021 are estimates, as complete information for the year was not yet available at the close of the report.

(2) Includes consumption of electricity and fossil fuels (diesel, natural gas and LP gas), except fuels consumed in vehicle fleets.

(3) Emissions from direct energy consumption (fossil fuels) and calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The IPCC Fifth Assessment Report and the IEA have been used as sources for conversion to CO2e. From 2021 onwards, emissions derived from the use of the vehicle fleet and refrigerant gas leaks at our facilities have been included in this scope.

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

(5) Emissions from electricity consumption and calculated based on the energy mix of each geography. Emission factors are the latest available according to IEA for each country.

(6) From 2021 onwards, in addition to emissions from business travel by air, emissions from business travel by train, emissions from waste management and emissions from employee commuting have been included in this scope, using emission factors published by DEFRA in 2021. For our employees' commuting emissions, a survey has been sent to BBVA employees although only those from Central Services in Argentina, Colombia, Spain, Mexico, Peru, Portual and Uruguay have been taken into account so that the data compares with those published in 2019.

(7) 2020 data differ from those published in the previous annual report due to the exit of the USA from the perimeter.

(8)The impact of greenhouse gas emissions for 2021 is calculated only with Scope 1 and 2 emissions and using the CO2 social cost factor according to a proportional estimate of the EPA's social cost of carbon for 2020 ($51/tCO2) and 2025 ($56/tCO2), (discount rate of 3%, with exchange rate 1.183 €/USD).

(9) Masks purchased for our employees in Argentina, Colombia, Spain, Mexico and Peru have been taken into account, although these quantities do not form part of the data on non-hazardous waste disposed of as they have not always been deposited in our containers for disposal. Also the data provided on single-use plastics from catering suppliers in Spain and Mexico.

Given the business activities in which the BBVA Group engages, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that are significant in relation to its equity, financial position and earnings. As such, as of December 31, 2021, the accompanying consolidated Annual Accounts do not include any item that warrants inclusion in the environmental information document provided for in Order JUS/318/2018, of March 21, approving a new template for filing the consolidated annual accounts at the Companies Register for those entities obligated to disclose such information.

Management of indirect environmental and social impacts

BBVA addresses environmental and social risks from the perspective of impact prevention and mitigation. To do this, it uses tools such as the Environmental and Social Framework or the Equator Principles that have an environmental and social focus, and which are described below. Managing the impacts that customers generate on the environment is part of the Pledge 2025. To manage them, BBVA has implemented a number of initiatives and tools.

Environmental and social framework

In 2020, the Environmental and Social Framework for the due diligence in the field of mining, agribusiness, energy, infrastructure and defense was approved (Framework), which revised and integrated the previous Sector Norms (approved in 2018) and the Rules of Conduct in Defense (in force since 2012).

In line with the previous regulation, this Framework provides a decision-making guideline with regard to transactions and customers that operate in these five sectors (mining, agribusiness, energy, infrastructure and defense); as they are considered to have a bigger social and environmental impact. The Framework is public and available on the BBVA shareholders and investors website.

To guarantee its effective implementation, BBVA receives advice from an independent external expert, with whose collaboration it carries out an enhanced due diligence on its customers and transactions, in order to mitigate the risks associated with these sectors and contribute to the compliance with the General Sustainability and Social Corporate Responsibility Policies.

For the Framework review, new market trends in this area, the expectations of stakeholders and the strengthening of the implementation procedures are taken into account.

The following were the highlights of the December 2020 review:

- restriction to the applying of exceptions in the field of mining and energy for countries with high energy dependence only to projects under construction and existing customers;
- the reduction from 35% to 25% of the threshold applied to the exclusion of customers with high coal exposure, which applies both to the extractive activity and the energy generation;
- extension of the prohibition related to bituminous sands;
- the incorporation of new prohibited activities such as deep-sea mining, artic oil and gas transportation, as well as large dams that are not built under the World Commission on Dams (WDC) framework.

In the March 2021 review, BBVA highlighted the commitment to remove customer exposure to carbon by 2030 for developed countries and 2040 globally, by dialog with customers and active monitoring with their portfolios.

Equator Principles

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA's commitment is to manage the financing of these projects to reduce and avoid negative impacts and in this way enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of principle-based profitability. This implies meeting stakeholder expectations and the social demand for adaptation to climate change and respect for human rights.

In line with this commitment, since 2004 BBVA has adhered to the Equator Principles (EP), which include a series of standards for managing environmental and social risk in project financing. The EPs were developed on the basis of the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Guidelines on Environment, Health and Safety. These principles have set the benchmark for responsible finance.

The analysis of the projects consists of subjecting each operation to an environmental and social due diligence process, including potential impacts on human rights. The first step is the allocation of a category (A, B or C), which reflects the project's level of risk. Category A: projects with potentially significant adverse social or environmental impacts that are irreversible or unprecedented. Category B: Projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Category C: Projects with minimal or no social or environmental impacts. Reviewing the documentation provided by the customer and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category. Financing agreements include the customer's environmental and social obligations. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of operations, and is subject to regular checks by the Internal Audit area.

BBVA has reinforced due diligence procedures associated with the financing of projects whose development affects indigenous peoples. When this circumstance occurs, the prior free and informed consent is required from these communities, irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is presupposed, which guarantees 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.

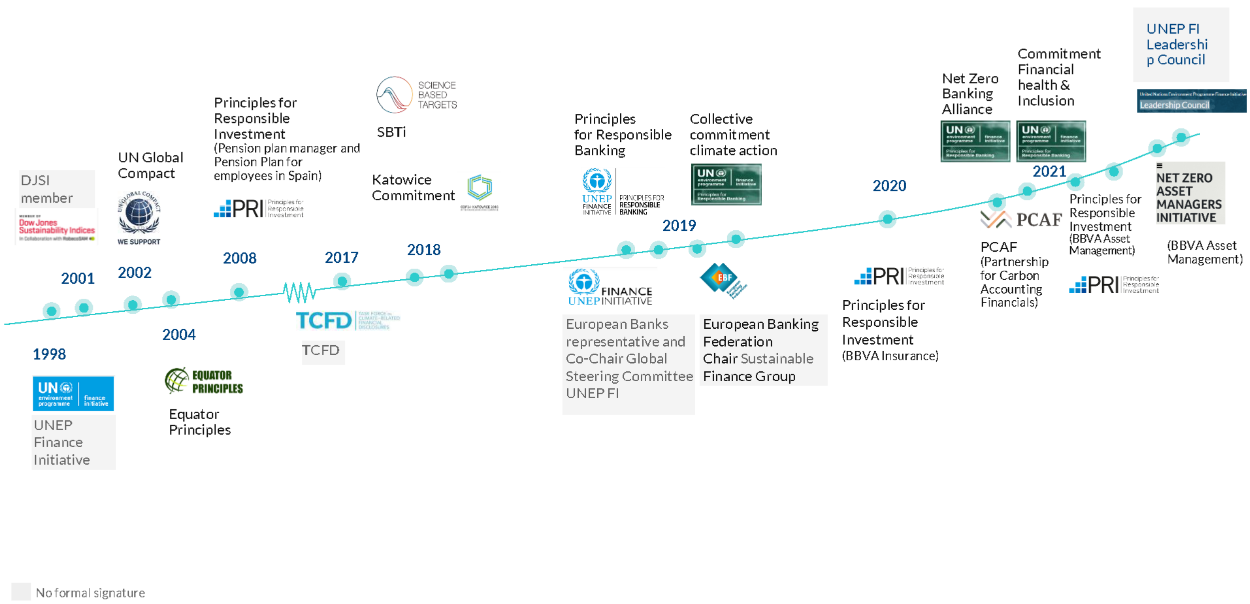
In 2020 the fourth version of the Principles has come into force. This update, after an extensive public consultation period, incorporates new and more demanding requirements in the review of projects in relation to human rights and climate change. BBVA has actively participated in the updating process and its contribution in recent years has been recognized with a new mandate in the Management Committee of the Association of the Equator Principles.

OPERATIONAL DATA ANALYZED ACCORDING TO THE EQUATOR PRINCIPLES CRITERIA

Category A			Category B			Category C		
	2021	2020		2021	2020		2021	2020
Number of transactions	2	1	Number of transactions	23	21	Number of transactions	17	8
Total amount (millions of euros)	2,227.6	869.6	Total amount (millions of euros)	10,954.5	8,220.4	Total amount (millions of euros)	5,466.1	2,971.4
Amount financed by BBVA (millions of euros)	109.4	39.4	Amount financed by BBVA (millions of euros)	1,714.1	824.1	Amount financed by BBVA (millions of euros)	756.3	441.0

Note: of the 42 transactions analyzed, 20 fail under the Equator Principles, and the remaining 22 were analyzed voluntarily by BBVA using the same criteria in 2021 (30, 9 and 21 respectively, in 2020).

2.3.7 Participation in international initiatives



For over 20 years, BBVA has participated actively in various supranational initiatives. As well as repeating our commitment to the UN Global Compact once more this year, as part of the Pledge 2025, BBVA actively participates in numerous initiatives, always in close collaboration with all its stakeholders (such as the industry itself, regulators and supervisors, investors and organizations from civil society).

Universal reference frameworks

BBVA was one of 28 founding banks in the Principles for Responsible Banking promoted by the United Nations Environment Program Finance Initiative (UNEP FI), This initiative is a benchmark for corporate responsibility in the banking sector, which aims to respond to the growing demand from different stakeholders for a comprehensive framework that covers all aspects of sustainable banking through six core areas. Currently, more than 250 entities worldwide, approximately 40% by asset volume of the banking system, have already signed these Principles. BBVA believes that these Principles will help reaffirm its purpose, enhance its contribution to both the United Nations SDGs and the commitments derived from the Paris Climate Agreements, and align its business strategy with said commitments.

In 2020 and 2021, BBVA has reported its progress and achievements in each of the 2021 six principles to UNEP FI, in the first and second year they have been implemented. For more information on the progress and developments reported, see the chapter named "UNEP FI Principles for Responsible Banking Reporting Index" in this report.

Within the framework of these Principles, in 2021 BBVA was one of the founding banks of the Collective Commitment to Financial Health and Inclusion promoted by UNEP FI with the aim of promoting universal financial inclusion and a banking sector which supports the financial health of all its customers.

BBVA also participates in global initiatives such as the United Nations Global Compact, Principles for Responsible Investment, and the Thun Group, which describes how the United Nations Guiding Principles on Business and Human Rights (UNGPs) should be applied in the banking sector.

Transparency

In September 2017, BBVA committed to the TCFD recommendations of the FSB and has been reporting on its objectives, plans and performance in line with its utmost commitment to transparency. Also, in accordance with these recommendations, in 2020 BBVA published disclosures following the two most advanced standards in the market:

- WEF-IBC core metrics: BBVA has been one of the first entities in the world to support the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the World Economic Forum (WEF), assuming the commitment to report according to its metrics and disclosures which were published in September, 2020.
- Sustainability Accounting Standards Board (SASB) - Commercial Bank standards: The SASB sets the standards to guide companies in the disclosure of financially relevant information and consistent in terms of sustainability, which are followed by an increasing number of relevant institutional investors at a global level.

In this report, BBVA has taken a further step forward in transparency and includes not only the above standards, but the following disclosures:

- Expanded WEF-IBC metrics
- Sustainability Accounting Standards Board (SASB) - Mortgage Finance and Consumer Finance

Compliance with these international standards is included in the chapter "Alignment of BBVA Group's non-financial information with the WEF-IBC and SASB standards" in this report.

2.3.8 Sustainability indices

BBVA participates annually in the main sustainability analyses conducted by rating agencies in this area. Based on the evaluations obtained through these analyses, companies are chosen to be part of the sustainability indices.

In 2021, BBVA has obtained the highest score (89 points) among world banks[19] in the Dow Jones Sustainability Index (DJSI), which measures the performance of the largest companies by market capitalization in economic, environmental and social matters. The Group has achieved the highest score (100 points) in the sections on financial inclusion, environmental and social information, development of human capital, materiality and tax strategy.

BBVA has been included for the fourth consecutive year in the Bloomberg Gender Equality Index, which represents recognition of its commitment to create trusting work environments, where all employees' professional development and equal opportunities are guaranteed, regardless of their gender. BBVA is a member of the following sustainability indices[20]:

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	MSCI	FTSE4Good
1st World Bank (1)	Member of MSCI ESG Leaders Indexes. (Rating AAA)	Member of FTSE4Good Index Series (Score 4/5)

Euronext Indices Benelux20 / V.E Vigeo.Eiris	member of the Investment Register Ethibel Excellence	2021 Bloomberg Gender-Equality Index	CDP Driving Sustainable Economies
Member of Euronext Vigeo Eurozone 120	Member of Ethibel Sustainability Excellence Europe y Ethibel Sustainability Excellence Global	Member of Bloomberg Gender-Equality (Score 77,29/100)	Score B

(1) Shared ranking position

In addition, in 2020 the Bank joined the Nasdaq Sustainable Bond Network (NSBN). It is the only Spanish entity on this platform, which brings together the world's various issuers of sustainable debt and provides a clear reference framework for socially responsible investment.

[19] Shared ranking position
[20] The inclusion of BBVA in any MSCI indices and the use of the logos, trademarks, service marks or index names does not constitute the sponsorship or promotion of BBVA by MSCI or any of its subsidiaries. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI indices and logos are trademarks or service marks of MSCI or its subsidiaries.

2.4 Additional information

2.4.1 Additional Information on Materiality

Methodology of the materiality analysis

1. Identification of stakeholders

BBVA's main stakeholders are: customers, employees, shareholders and investors, suppliers, regulators and supervisors (whether or not specific to a sector) and society. As part of society, BBVA takes into account not only public opinion but also groups organized in civil society such as the NGOs which monitor our activity most closely.

2. Identification of the material issues

The sources below are used to identify the material issues for stakeholders:

- Interviews with the areas in the Bank with the closest relations with each of the stakeholders and which know them best. The interviews identify the most important aspects to each individual group of stakeholders. Specifically, interviews are carried out in the areas of:
  - Client Solutions, to obtain the perspective of customers.
  - Talent & Culture, to obtain the perspective of employees.
  - Investor relations, to discover the expectations of mainstream and sustainability-oriented shareholders and investors.
  - The regulation and legal services areas, to learn the expectations of the regulators.
  - Communication and Responsible Business, to assess the perspective of society and the NGOs.
- Review of the Group's numerous sources of research with respect to stakeholders, above all for customers (satisfaction surveys, brand and reputation tracking, analysis of complaints), employees (Gallup survey, internal reputation surveys), and shareholders and investors (questionnaires for investors and analysts).
- Analysis of reports on trends, to provide a more long-term view; global risk reports and the creation of a benchmark for material issues in other financial institutions based on information published by them.

This identification phase provides a fairly granular list of issues which are then aggregated to arrive at a smaller number of subjects that can viably be prioritized. All the issues on the list are of themselves relevant.

As indicated in this report, the 2020 materiality matrix was deemed valid for 2021. However, to be sure of not missing any relevant issue, an external database was used to identify emerging issues. There is only one issue not included in the matrix which appears important to consider as an emerging issue, although it has not yet been explicitly defined: biodiversity, which will be an issue to address in the future.

3. Prioritization of issues according to their importance for stakeholders

A number of sources are used to hierarchize the issues:

- A series of interviews and ad-hoc surveys are carried out in the countries covered by the study in order to learn the priorities of customers, employees and investors. They explicitly ask those taking them to identify the importance which the Group should give to each of these issues.

- An external database provides the basis for the data analysis tool for other stakeholders in all countries except in Turkey, where local Turkish sources are used. The sources that made it possible to complete the analysis of the stakeholders, global trends and key issues in the sector are specified in the section "Materiality analysis: the most relevant issues for stakeholders and BBVA" in this report.

Prioritization for stakeholders is carried out in two phases. The first creates hierarchies of issues for each of the stakeholders; and the second obtains a hierarchy of issues for all the stakeholders by an aggregation process based on the individual analyses. It is the aggregated prioritization that appears in the matrix.

To give the exercise greater transparency, the most relevant issues for each stakeholder are given below.

- Customers: Aspects related to cybersecurity and data protection are a priority in a context in which digitalization has been accelerated by the coronavirus. However, there is very little dispersion in customer valuations. All these issues are of great importance.
- Employees: They consider that the Group should focus on the issues already mentioned, as well as continuing to promote an ethical culture with which they can identify.
- Shareholders and investors: Solvency, financial results and good governance are their main concerns, but growing importance is also being given to risk management and climate opportunities. The latter has become a key issue for some investors and analysts.
- Regulators: In a very similar way to investors, climate change is gaining increasing attention with regulators. Other very relevant issues are solvency, good governance and the ethical behavior of entities.
- Society: For society as a whole, the correct management of the pandemic and protection of those who are most vulnerable and, in particular, the care provided for their financial health are, together with climate change, the most important issues.
- Competitors pay particular attention to the issues of cybersecurity and data, financial health and advice, and climate change.
- In terms of trends, digitalization above all continues to be a relevant issue, with growing importance as a result of the pandemic, together with the issues associated with it (above all, cybersecurity). Financial health is another issue of increasing relevance. The reports indicate the key role of the sector in supporting companies and individuals affected by the crisis.

The sources that made it possible to complete the prioritization of the stakeholders, global trends and key issues in the sector are:

RepTrak surveys		**Analysts and investors** Survey to the Investor and Analyst Relations Department	**Regulators**	**Trends**
Clients	**Employees**	**Sustainability reports and surveys**	**Regulatory documents (1)**	**Sector trends reports**
1,619	11,584	17	1,764	59

News		**Social networks**	**Benchmark**	**NGO**
English and Spanish sources (1)		**Tweets (mill.)**	**Competitor's reports**	**NGO Documents**
185	153	649	87	20

(1) Does not include Turkey

4. Prioritization of issues according to their impact on BBVA's business strategy:

An internal assessment is made on how each issue impacts BBVA's six strategic priorities. The most relevant issues for BBVA are those that help to achieve its strategy as well as possible.

The hierarchization of issues gives rise to the Group's materiality matrix, which appears in the section "Materiality analysis: the most relevant issues for stakeholders and BBVA" in this report.

Goals and level of progress in the material issues for BBVA in 2021

The goals related to the material issues are given below:

GOALS AND LEVEL PROGRESS OF THE MATERIAL ISSUES FOR BBVA 2021

Material issue	Indicator	Goal	2020 Progress
Climate change	Sustainable finance mobilization	€200.000 million between 2018-2025	€ 85.8 Bn at 31-12-2021
	Sector Allignment indicators	Portfolio alignment with Paris Agreement	Goals: (I) Carbon neutrality in CO_2 emissions of our portfolio (scope 3) in 2050 (II) Reduce exposure to activities related to thermal coal for power generation to zero, ceasing to finance companies in these activities, before 2030 in developed countries and before 2040 in the rest of the countries (III) Power generation, auto, steel and cement emission intensity targets in 2030
	Energy obtained from renewables sources	70% in 2025 and 100% in 2030	79%
	CO2 emissions (scope 1 and 2)(1)	-68% reduction in 2015-2025 period	(67.5)%
	TCFD Recommendations	Implementation of TCFD recommendations	Publication of TCFD report
Solvency and financial results	CET 1 fully-loaded ratio	2021: 11.5%-12%	12.75%
Easy, fast and do it yourself	Reaching more clients	% customers acquired through digital channels (2021 >36%)	40%
Financial health and personalized advice to clients	BBVA is working to establish goals and metrics in relation to the fourth material issue, its strategic priority “Improving our clients' Financial Health". For more information on this matter, see the chapter “Strategy” in this report.		

(1) Emissions derived from direct energy consumption 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. As of 2021, emissions derived from the use of the vehicle fleet and refrigerant gas leaks at our facilities have been included in this scope.

A two-dimensional analysis has been carried out for the material issues of greatest importance. First, it analyzed how these issues impact BBVA's situation and results (the "outside-in perspective"); and second, it determined how the management of these issues by BBVA impacts the stakeholders (the "inside-out perspective"). This results in a number of challenges and opportunities for each material issue which BBVA has to address:

CLIMATE CHANGE

Impact on BBVA	How does Climate Change impact on BBVA?	Opportunities	New business opportunities to make the transition possible: Greater eligibility thanks to a distinction of climate change management. Better solvency due to comprehensive risk management and great anticipation. Good status towards supervisors and possible distinction in capital requirements.
		Risks	Bigger risk of default derived from both the physical risk of the client, caused or favored by extreme meteorological phenomena, and the potential physical damage to the assets of the entity in the long term; such as the risk of transition, a consequence of the shift towards a low-carbon economy (such as legislative changes or changes in consumption patterns). Need to align portfolios and therefore, possible loss of business in certain activities. Bigger regulatory requirements. Need of up-skilling and reskilling. Possible loss of customers, investors. New risks (greenwashing).
Impact on stakeholders	How does BBVA's management of climate change affect stakeholders?	Opportunities	Clients: helps in the transition to a more sustainable future by complying with regulations. Employees: healthier workplaces and aligned corporate culture. Shareholders and investors: Reduction of the risk of its investment and protection of the long-term value. Suppliers: new business opportunities for sustainable suppliers. Regulators and supervisors: compliance with regulation. Society: alignment of their expectations and contribution to reduce the impacts of climate change in their lives.
		Risks	Clients: bigger difficulties in accessing to financing for those with high climatic risks and no plans for the transition. Society: the risk that the climate transition could not be fair and would leave groups behind.

SOLVENCY AND FINANCIAL RESULTS

Impact on BBVA	How does having a good or bad solvency affect BBVA?	Opportunities	Allows business continuity Capital cost savings Less supervisory pressure Could attract more capital and investors Could attract more jobs and customers
		Risks	Risk of system instability Risk of flight of capital, customers and employees
Impact on stakeholders	How does BBVA's good or bad solvency affect stakeholders?	Opportunities	Enables value creation for stakeholders. Shareholders and investors: resilient, strong and stable business model with its long-term financial results; adequate level of solvency, which allows it to absorb losses under stress scenarios; return on investment: a business model capable of generating financial results above the capital invested and with the ability to reward shareholders. Regulators and supervisors: provides security to the system.
		Risks	Shareholders and investors: greater volatility in financial results can generate a perception of instability in the business model, causing investors to sell shares or debt instruments; an inadequate level of solvency can generate uncertainty and distrust in the ability to pay obligations, causing investors to sell shares or debt instruments.

SIMPLICITY, AGILITY AND SELF-SERVICE FOR CUSTOMERS

Impact on BBVA	How does digitalization affect BBVA?	Opportunities	Increased potential customer base. Better service to customers, with greater availability. Loyalty of a large part of customers, due to better knowledge through data and better personalized solutions. Reduction of unit costs of distribution, of selling products and of providing services.
		Risks	Need of investment in digital transformation. Potential loss of business due to competition from digital players that provide financial services. Bigger risks for the bank derived from digitization, such as cybersecurity. Risk of high dependence on technology suppliers.
Impact on stakeholders	How does BBVA's digitalization affect stakeholders?	Opportunities	Clients: offers greater availability, as well as personalized financial solutions due to greater knowledge. Shareholders and investors: higher return on investment if digitization translates into lower costs. Society: more people with access to banking services.
		Risks	Employees: office closures and job losses; need to develop new skills. Regulators and supervisors: Adaptation to new environments and develop new regulations. Society: it can cause the exclusion of some groups.

BBVA considers corporate social responsibility to be the Bank's responsibility because of the impact of its activities on people, companies and society as a whole; stakeholders and other groups (customers, society):

FINANCIAL HEALTH			
Impact on BBVA	How does the fact that there are people with different financial health which concerns society, affect BBVA?	Opportunities	Stand out and make a difference in the way the bank helps clients improve their financial health and therefore become more eligible for clients and investors. Greater legitimacy for the positive contribution to society. Maintain a good competitive position against other players that are gaining relevance in the area.
		Risks	Short-term loss of income from decisions that guarantee client's well-being (losses that are offset in the medium and long term). Lack of information that leads to wrong decisions.
Impact on stakeholders	How does BBVA's financial health management affect stakeholders?	Opportunities	Clients: greater financial well-being and achievement of goals. Shareholders and investors: if it becomes a differentiating element, customers will be more satisfied, more users will be attracted and a higher degree of loyalty will be achieved. This will also help maintain a good competitive position. Society: it will generate greater awareness of the importance and benefits of properly managing financial health.
		Risks	Clients: perception of a certain interference in their lives in order to obtain the correct information, which leads to better decisions that improves their financial health. Shareholders and investors: always seek the interest of the client, may lead to recommendations that are not the most profitable option for the entity in the short term. However, this apparent disadvantage is offset by the benefits in the medium and long term.

2.4.2 Information related to article 8 of the European Taxonomy

Article 8 of the Taxonomy defined by 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 investment (hereinafter, the "Taxonomy" or "Sustainability Regulation"), establishes certain obligations on the reporting of non-financial information for companies subject to the Non-Financial Reporting Directive (NFRD). Based on this regulation, the financial institutions must include in their Spanish Statement of Non-Financial Information (EINF for the Spanish initials) information on their exposure to the economic activities included within the EU sustainability framework under said Article 8.

At present, Delegated Act 2021/2139 of the EU Sustainability Regulation is limited to the mitigation of greenhouse gas emissions, or climate change mitigation (CCM), and adaptation to the effects of climate change, or climate change adaptation (CCA).

The other environmental goals included in the Taxonomy, such as protection of water and marine reserves, transition to a circular economy, prevention of pollution and protection of the ecosystem, together with other social goals or transitional activities, have not yet been developed. As the regulation is developed, BBVA's commitment is to make public the sustainability information in accordance with the best practices observed at any time.

Based on the above, the ratios as of December 31, 2021 for BBVA Group in accordance with the provisions of Delegated Regulation 2121/2178 of July 6, 2021 and the clarifications of the European Commission are as follows[21]:

RATIOS 2021 (BBVA GROUP)	%
% exposure to economic activities included in the Taxonomy (Taxonomy-elegible) (1) (2)	45.6
% exposure to economic activities not included in the Taxonomy (Taxonomy-non-elegible) (1) (2)	10.5
% exposure to central governments and central banks	28.5
% exposure of non accredited to NFRD. (1)(3)	35.2
% trading portfolio exposure	18.6
% sight inter-bank portfolio exposure	1.6
% derivatives exposure	4.9

(1) The ratios have been prepared with data from the most representative BBVA Group entities that include 98% of total assets. 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 results". These ratios represent the best estimates available to date.

(2) Regarding the eligibility of an asset, the economic activities of the clients are classified as eligible according to the Delegated Regulations that complement Regulation (EU) 2020/852 of the European Parliament and of the Council. Economic activities covered by the Delegated Acts of Climate Change Mitigation and Climate Change Adaptation are considered eligible. EU regulation has not been developed for the other environmental goals, therefore eligibility does not cover a wide range of potentially sustainable economic activities and exposures.

(3) BBVA considers Not Subject to the NFRD those counterparties within the category of “Non-Financial Corporations” that are considered SMEs located in the EU for regulatory reporting purposes, as well as counterparties with registered offices outside the EU.

[21] Sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en” published on December 20, 2021

The following have been considered when preparing the ratios: ratios number 3, percentage exposure to central governments and central banks, number 5, percentage exposure to the trading portfolio, and number 7, derivative exposure percentage, are calculated on the Group's total assets. The other ratios are calculated using the same methodology as in the definition provided by the European Commission for the Green Asset Ratio (hereinafter, the GAR), which enters into force on January 1, 2024. Thus the percentages are calculated on the total assets covered in the GAR, which are all the exposures on the balance sheet, except for the exposures to central governments, central banks and the trading portfolio.

In addition, to determine eligibility, information has been used on the economic activities of clients based on the National Classification of Economic Activities (CNAE), in the case of the activities of Spanish companies, or other equivalent standards in the rest of the geographies where the Group operates. These local classifications by activity have an equivalence to the statistical classification of economic activities in the European Community (NACE). This information is also available in the computer systems and is used to assess the specific economic activities of clients, both in internal management (origination, risk assessment) and in the regulatory area (FINREP).

Starting in 2022 the companies subject to the Non-Financial Reporting Directive (NFRD) must make public information corresponding to the economic activities they perform with respect to the Taxonomy. BBVA Group shall incorporate this information into its analysis on the economic activities covered in the regulation (eligible), allowing greater precision in the measurement of the economic activities it finances based on the Taxonomy.

The information regarding how the BBVA Group is aligning its objectives and economic activities with the European Taxonomy, the description of its strategy, the products developed and marketed, as well as the integration of ESG aspects in the relationship with its customers are included in the chapters "Report on climate change and other environmental and social issues" and "Integration of ESG aspects in customer relations" within "Additional information" of this report. Likewise, the information regarding the weight of the financing of the economic activities aligned with the Taxonomy in the global activity of the BBVA Group is broken down in the chapter “Sustainable finance” of this report. The application of the European Taxonomy within the framework of the sustainable mobilization of the Group is described in the chapter “Additional information on the Group's sustainability standards and frameworks” of this report.

Clarifications with respect to the Sustainable Finance Taxonomy ratios

The eligibility ratios mentioned above have been prepared following the regulatory definitions of the European Commission's Green Asset Ratio (GAR). However, the European Commission allows the option of supplementing the mandatory information with voluntary information and, along these lines, the EU's Platform for Sustainable Finance recommends that banks include the voluntary information they deem appropriate.

Currently the methodology of the EU Taxonomy does not allow financial institutions to include in the sustainability ratios any exposures to companies not subject to the NFRD. Therefore, companies domiciled in a third country outside the EU to which the Directive does not apply, and companies in the EU which are not subject to this obligation, such as the vast majority of SMEs, are excluded from the above ratios.

However, the European Banking Authority (EBA) on January 24, 2022, has published the Implementation Guidelines on information to be disclosed in the framework of the "Report with Prudential Relevance-Pillar III" on ESG matters, where It is requested that, in addition to the GAR information, entities must report another additional ratio known as BTAR (Banking Book Taxonomy Alignment Ratio) that includes exposure to non-NFRD counterparties. This ratio will enter into force in June 2024.

In this sense, taking into account that the BTAR ratio would cover the eligible exposures of countries outside the EU, and the recommendation of the European Commission on voluntary disclosures, the degree of eligibility of global exposures is presented below following the methodology calculation of the BTAR ratio.

ELIGIBILITY RATIOS ACCORDING TO BTAR METHODOLOGY

	% exposure of eligible economic activities	% exposure of non-eligible economic activities
TOTAL[(1)(2)(3)]	**57.4**	**33.9**

(1) Public administrations, central governments and trading portfolio are excluded as they are not part of the Green Asset Ratio (GAR)

(2) The main difference to the ratios calculated according to the Taxonomy methodology is that all exposures are included, both NFRD and Non-NFRD, in order to have a holistic view of the Group.

(3) Those items excluded in the denominator or numerator of the GAR, such as interbank loans, derivatives, cash or other assets such as Goodwill, are not included in the components of the ratio.

2.4.3 Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

BBVA has assumed the commitment 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 (EINF) for the year 2021, included in this report, in accordance with the Global Reporting Initiative (GRI) guide. Additionally and voluntarily, last year BBVA published for the first time the progress in terms of ESG disclosures, according to two metrics with great reputation in the market.

- WEF-IBC core metrics. BBVA has been 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)
- Sustainability Accounting Standards Board (SASB) - Commercial Banks standards. The Sustainability Accounting Standards Board establishes standards to guide companies on the disclosure of relevant and consistent financial information in terms of sustainability.

However, this year a further step has been taken in the commitment to the continuous improvement of transparency and, assuming responsibility in ESG matters, the rest of the WEF-IBC metrics have also been reported, as well as the SASB - Consumer Finance standards and SASB - Morgage Finance standards, giving a complete report of both:

- WEF-IBC expanded metrics. Along with the core metrics, the expanded metrics allow for a broader and more detailed scope of the value chain; and convey the impact in a more tangible way.
- SASB - Consumer Finance standards and SASB - Morgage Finance standards. With the complete report of these metrics, the Group's management is reflected and identified more clearly for more accurate decision-making by customers.

More and more companies are reporting their performance according to these two metrics and BBVA will continue to work on its commitment to satisfy the demands of investors, regulators, customers and other stakeholders; to maintain or improve its ESG performance.

WEF-IBC core metrics

Contents index of WEF-IBC. Core metrics			
Topic	**Metric**	**Reporting criteria**	**BBVA Group's response**
PRINCIPLES OF GOVERNANCE			
Governing purpose	Setting purpose	The British Academy and Colin Mayer, GRI (102-26), Embankment Project for Inclusive Capitalism (World Economic Forum Integrated Corporate Governance - EPIC) and others.	NFIS/Strategy/Strategic Priorities, Our Objectives NFIS/Report on climate change and other environmental and social issues
Quality of governing body	Governing body composition	GRI (102-22), GRI (405-1a), IR 4B.	Corporate Government Annual Report (hereinafter, CGAR) C.1.1 to C.1.12, C.2.1 and C.2.2.
Stakeholders engagement	Material issues impacting stakeholders	GRI (102-21), GRI (102-43, GRI (102-47).	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/ Additional Information on Materiality
Ethical behavior	Anti-corruption: 1.Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. 2. Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and 3.Total number and nature of incidents of corruption confirmed during the current year, related to this year.	GRI (205-2), GRI (205-3).	NFIS/Our stakeholders/Society/ Compliance
	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 (102-17).	NFIS/Our stakeholders/Society/ Compliance
Risk and opportunity oversight	Integrating risk and opportunity into business process.	EPIC, GRI (102-15), World Economic Forum Integrated Corporate Governance, IR 4D.	NFIS/Our stakeholders/Customers/ Customers safety and protection NFIS/Report on climate change and other environmental and social issues/ Management of risks associated with climate change
PLANET			
Climate change	Greenhouse gas (GHG) emissions	GRI (305:1-3), Task Force on Climate-Related Financial Disclosures (hereinafter, TCFD) recommendations, GHG Protocol.	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Ecoefficiency Plan Indicators Table BBVA will continue working on the next exercises advance the disclosure about this metric.
	TCFD implementation	TCFD Recommendations; CDSB R01, R02, R03, R04 y R06; SASB 110; Science Based Targets initiative.	NFIS/Report on climate change and other environmental and social issues BBVA TCFD report.

Nature loss	Land use and ecological sensitivity	GRI (304-1).	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas far from protected areas or areas of great value for biodiversity. For this reason, this metric is considered non-material at the present time, the entity undertakes to follow-up for its report in the future if necessary.
Freshwater availability	Water consumption and withdrawal in water-stressed areas.	SASB CG-HP-140a.1, Aqueduct water risk atlas tool, World Resources Institute (hereinafter, WRI).	NFis/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table An analysis is carried out by geographic area (pessimistic 2030 scenario) of the uses through the WRI tool: Aqueduct Projected Water Stress Country Rankings; with a result: - 61.83% of our consumption has a high or extremely high extraction and demand ratio; - 13.74% of our consumption has a medium extraction and demand ratio; - 14.43% of our consumption has a low extraction and demand ratio.
PEOPLE			
Dignity and equality	Diversity and inclusion.	GRI (405-1b).	NFIS/Our stakeholders/Employees/ Professional development
	Pay equality (%).	GRI (405-2).	NFIS/Our stakeholders/Employees/ Remuneration
	Wage level (%) Ratio of standard entry level wage by gender compared to local minimum wage. Ratio of the annual total compensation of the best paid person and the median of the annual total compensation of all its employees (except the best paid person).	GRI (202-1), adapted from the Dodd-Frank Act, US SEC Regulations.	NFIS/Our stakeholders/Employees/ Remuneration
	Risk for incidents of child, forced or compulsory labour.	GRI (408-1b), GRI (409-1).	BBVA has not identified centers or suppliers likely to have significant risks in relation to episodes of forced labor. Other information/Compliance tables/ GRI Standards content index
Health and well-being	Health and safety - rate of fatalities and rate of absenteeism.	GRI:2018 (403-9 a y b), GRI:2018 (403-6).	NFIS/Our stakeholders/Employees/ Work environment/Occupational health and safety
Skills for the future	Training provided - Average hours of training and average expenditure per full time employee.	GRI (404-1), SASB HC 101-15.	NFIS/Our stakeholders/Employees/ Professional development
PROSPERITY			
Employment and wealth generation	Absolute number and rate of employment.	Adapted from GRI (401-1 a and b) in order to include more metrics on diversity and inclusion.	NFIS/Our stakeholders/Employees/ Professional development
	Economic contribution.	GRI (201-1), GRI (201-4).	Other information/Compliance tables/ GRI Standards content index
	Financial investment contribution: 1. Total capital expenditures (CapEx) minus depreciation. 2.Shares buybacks plus dividend payments	Aligned with IAS 7 and US GAAP ASC 230.	The information that forms part of the indicator is collected in the Consolidated Financial Statements (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 staff of the teams dedicated to projects during the 2021 financial year, amounted to €931m.
Community and social vitality	Total tax paid The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	GRI (201-1) and GRI (207-4).	NFIS/Our stakeholders/Society/Fiscal transparency

Notes: For WEB - IBC standards the reporting criteria column is included as they have been developed on the basis of other international standards.

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 102-26	NFIS/Strategy/Strategic Priorities, Our Objectives NFIS/Report on climate change and other environmental and social issues
Quality of governing body	Progress against strategic milestones	EPIC	NFIS/Strategy/Main advances in the execution of the strategy NFIS/Additional information/Additional information on Materiality
	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 102-26	NFIS/Our stakeholders/Employees/Remuneration
Ethical behaviour	Alignment of strategy and policies to lobbying	GRI 415: Public Policy	The BBVA Group collaborates with organizations that share its vision and whose activity is aligned with its objectives, such as industry associations, employer associations, chambers of commerce and the most prestigious Think Tanks, which carry out studies on regulatory, financial, digital, sustainability, financial inclusion and financial education, in those countries where the Group has a significant presence. BBVA makes an effort to be in the sector representation forums in those countries where it has a presence. These collaborations are added to the intellectual contribution to promote the transformation of the sector, which the Group carries out directly through the research activity and the development of analyzes of its studies department. These institutional activities are always carried out with the utmost transparency, without interfering, conditioning or influencing the political pluralism of the societies in which the Group is present.

	Monetary losses from unethical behaviour	SASB 510a.1	For issues related to corruption (including fraud, money laundering and other concepts included in the definition of corruption provided in metric GRI 205-3), please refer to the information included in metric GRI 205-3. For issues related to competition, please refer to the information included in the GRI 206 metric. In relation to the monetary losses incurred in the "Commercial Banks" industry, please refer to the information included in the SASB CB 510 a.1 metric ("Total amount of monetary losses as a result of legal proceedings associated with fraud , insider trading, antitrust, anticompetitive behavior, market manipulation, malpractice, or other laws or regulations related to the financial industry"). In relation to monetary losses not specific to the scope of the "Commercial Banks" industry, please refer to the information included in the GRI 419 metric. Bad practice is considered to be that related to the behaviors described in the metric. There are no monetary losses incurred in 2021 by banking entities that are members of the BBVA Group as of December 31, 2021 due to resolutions imposed for price manipulation or insider trading practices [1].
Risk and opportunity oversight	Economic, environmental and social topics allocation framework	CDSB REQ-02	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts
PLANET: EXPANDED METRICS AND DISCLOSURES			
Climate change	Paris- alligned GHG emissions targets Define and report progress against time-bound science-based GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.	Science Based Targets initiative	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts
	Impact of GHG emissions	US EPA fact sheet on the Social Cost of Carbon (2016), Natural Capital Protocol (2016), ISO 14008: Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts
Nature loss	Land use and ecological sensitivity	New metric	Since BBVA is a financial entity, most of its suppliers are technological and there is no use of the land for forestry, agriculture or mining, this metric is considered non-material since the breakdowns included, land area used for the production of plants, animals or mineral products, are not applicable to BBVA's activity or its supply chain.
	Impact of land and conversion	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	BBVA's economic activity and its products and services have no significant impact on biodiversity (neither positive nor negative), since its operations centers and/or offices are located in urban areas. For this reason, it is considered that this metric is not material at present, and the entity undertakes to follow up on its report in the future if necessary.

Freshwater availability	Impact of freshwater consumption and withdrawal	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	Due to the fact that the economic activity of a financial entity such as BBVA, whose consumption and extraction of water are those of the activity of its offices and its restoration, this metric is considered non-material, since both the extraction and consumption are considered insignificant.
Air Pollution	Air pollution	GRI 305-7	BBVA's emissions of other types of pollutants into the atmosphere are mainly: - NOx: 17,077.55 t NOx - SOx: 2,593.25 tSOx These data only consider the emissions due to the use of fuels in the installations of BBVA buildings and branches located in urban zones. The factors used are those published by the European Environmental Agency: "EMEP/EEA Air Contaminant Emission Inventory Guidebook 2019" for the "Commercial / Institutional: Stationary" sector, "Tier 1" typology for each type of fuel.
	Impact of air pollution	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	For BBVA, air pollution does not have a significant impact due to the activities it carries out. Despite this, its management is considered relevant, as reflected in the Global Eco-efficiency Plan. However, at the date of the report, there is no methodology or reliable data source that allows calculating the impact of air pollution linked to the company's own activity.
Water pollution	Nutrients	SASB CN0101-11	Given that in the nature of BBVA's activities, no nitrogen, phosphorus or potassium is present in fertilizers, this is considered a non-material metric, since its activities do not cause ecological or public health problems in this regard.
	Impact of water pollution	Natural Capital protocol (2016), ISO 14008 Monetary valuation of environmental impacts and related environmental aspects (2019), Value Balancing Alliance.	Due to the fact that the economic activity of a financial institution such as BBVA, whose effluents are those of the activity of its offices and its restoration, this metric and its different breakdowns are considered non-material, since the discharges are considered not significant and comply with the regulations of the areas in which they are located.
Solid waste	Single- use plastics	New metric	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table
	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 102-38	NFIS/Our stakeholders/Employees/Remuneration
	Discrimination and harassment incidents (#) and the total amount of monetary losses ($)	GRI 406-1, Adapted from SASB FR-310a.4	NFIS/Our stakeholders/Employees/Professional development/Diversity, inclusion and different capacities
	Freedom of association and collective bargaining at risk (%)	SASB CN0401-17, GRI 407-1, WDI 7.2	NFIS/Our stakeholders/Employees/Work environment/ Freedom of association and representation
	Human rights review, grievance impact & modern slavery (#, %)	GRI 412-1, UN Guiding Principles, GRI 408-1a, Adapted from GRI 408-1a and GRI 409-1, WDI 7.5	NFIS/Our stakeholders/Society/Commitment to Human Rights
	Living wage (%)	MIT Living Wage Tool, EPIC	NFIS/Our stakeholders/Employees/Remuneration
Health and well-being	Monetized impacts of work-related incidents on organization (#, $)	Adapted indicator based on European Commission, Safe Work Australia	BBVA is working to develop methodologies that allow calculating the monetary impacts of work-related incidents within the Organization, in order to be able to report this metric in the future financial years.
	Employee well-being (#, %)	GRI:2018 403-10a&b, EPIC, Adapted from GRI:2016 403-2a	NFIS/Our stakeholders/Employees/Work environment/ Occupational health and safety
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 and retain people with those skills. - Identify the skills and experience needed to compete in the future. Skills become obsolete faster than ever. - Attract and retain people with those skills. 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. NFIS/Our stakeholders/Employees/Professional development/Training
	Monetized impacts of training – Increased earning capacity as a result of training intervention (%, $)	Adapted from OECD, WDI 5.5	NFIS/Our stakeholders/Employees/Professional development/Training
PROSPERITY: EXPANDED METRICS AND DISCLOSURES			
Employment and wealth generation	Infrastructure investments and services supported	GRI 203-1	NFIS/Our stakeholders/Society/Contribution to society
	Significant indirect economic impacts	GRI 203-2	NFIS/Our stakeholders/Society/Contribution to society

Innovation of better products and services	Social value generated (%)	Adapted from GRI (FiFS7 + FiFS8) and SASB FN0102-16.a, EPIC	BBVA is working to develop methodologies that allow it to calculate this ratio and to be able to report this metric in future financial years.
	Vitality Index Percentage of gross revenue from product lines added in last three (or five) years, supported by narrative that describes how the company innovates to address specific sustainability challenges	Adapted from OECD Oslo Manual Section 8.3.1	BBVA is working, through the involvement of different areas of the Company, to develop systems in order to indetify new product lines that allow addressing specific sustainability challenges and be able to report this metric in future financial years.
Community and social vitality	Total Social Investment ($)	CECP Valuation Guidance	NFIS/Our stakeholders/Society/Contribution to society
	Additional tax remitted	Adapted from GRI 201-1	NFIS/Our stakeholders/Society/Fiscal transparency
	Total tax paid by country for significant locations	Adapted from GRI 201-1	NFIS/Our stakeholders/Society/Fiscal transparency

Notes:
For WEB - IBC standards the reporting criteria column is included as they have been developed on the basis of other international standards.

(1) The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses), by banking entities that are members of the BBVA Group as of December 31, 2021, during the 2021 financial year, excluding those derived from merely internal claims (customer services or customer advocate). The Fixing Rate as of 12/31/2021 is applied as the exchange rate.

SASB-Commercial Banks

Contents index SASB. Commercial Banks

Topic	Metric	BBVA Group's response
Data security	(1) Number of data breaches, (2) Percentage involving personally identifiable information (PII), (3) Number of account holders affected.	NFIS/Our stakeholders/Customers/Customer safety and protection BBVA will continue working on the future exercises to advance in the dissemination of this metric.
	Description of approach to identifying and addressing data security risks	NFIS/Our stakeholders/Customers/Customers safety and protection
Financial inclusion and capacity building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development.	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.
	(1) Number and (2) amount of past due and non-accrual loans qualified to programs designed to promote small business and community development.	
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers.	
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers.	During the 2021 financial year, BBVA reports the number of participants in financial education and technical training initiatives. However, it will continue working to develop and provide the required information, in those geographies where it is possible due to its specific regulation.
Incorporation of Environmental, Social, and Governance Factors in credit analysis	Commercial and industrial credit exposure, by industry.	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.	For issues related to corruption (including fraud, money laundering and other concepts included in the definition of corruption provided in metric GRI 205-3), please refer to the information included in metric GRI 205-3. For questions related to competition, please refer to the information included in the GRI 206 metric. There are no monetary losses incurred in 2021 by banking entities that are members of the BBVA Group as of December 31, 2021 due to resolutions imposed due to price manipulation or insider trading practices in the "Commercial Banks" industry. Monetary losses of €9.8m incurred by BBVA, S.A. are included. for judicial decisions (and transactional agreements reached in legal proceedings) derived from alleged breaches of Law 57/1968, on the collection of advance amounts in the construction and sale of housing(1).
	Description of whistleblower policies and procedures.	NFIS/Our stakeholders/Society/ Compliance
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category.	Financial information/Solvency
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.	Financial information/Solvency NFIS/Strategy/Main advances in the execution of the strategy
Activity metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business.	Data includes information of BBVA Spain, BBVA Mexico, BBVA Colombia, BBVA Peru. See table (1) below.
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate.	Data includes information of BBVA Spain, BBVA Mexico, BBVA Colombia, BBVA Peru. See table (2) below.

(1) It is considered bad practice that related to the behaviors described in the metric. Amounts related to claims related to alleged lack of transparency or vices in the consent are not included, as they are considered outside the object of the metric.
For the purposes of this metric, the "Commercial Banks" industry is understood as Business and Corporation Banking (including Real Estate).
The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses), by banking entities that are members of the BBVA Group as of December 31, 2021, during the 2021 financial year, excluding those derived from merely internal claims (services of customer service or customer advocate). The Fixing Rate as of 12/31/2021 is applied as the exchange rate.
As a consequence of these monetary losses, in the ordinary course of their business, the affected entities carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the making of adjustments in internal operations or the adaptation of the corresponding documentation, such as the requirements for opening and maintaining accounts with real estate developers.

(1) CURRENT AND SAVINGS ACCOUNTS ON NOVEMBER 30, 2021 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)	Number	Value
Personal	63,143	146,557
SME	2,788	23,806

(2) LOANS ON NOVEMBER 30, 2021 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)	Number	Value
Personal	27,855	114,309
SME	8,271	24,021
Corporate	2,696	97,669

SASB-Consumer Finance

Content index SASB. Consumer Finance

Topic	Metric	BBVA Group's response
Customer Privacy	Number of account holders whose information is used for secondary purposes	One of the requirements for clients to be able to obtain the benefits associated with the Election Account is the linking of products, that is, that in addition to the account itself, the client contracts or has contracted any of the products detailed in the contract; for example, insurance, pension plans, funds or financial products offered by BBVA. For this, BBVA needs to obtain from the insurers and managers of the financial products that have contracted certain personal data of the clients, in order to verify if you meet the link requirement with respect to them, to verify that the sufficient link with BBVA and not charge commissions where appropriate. This information is requested on a monthly basis so that BBVA can verify compliance with the linkage requirements related to insurance and financial products in accordance with the conditions established in the Election Account contract. As of December 31, 2021, 6.2 million customers have contracted this product.
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Monetary losses of €634 thousand are reported incurred in 2021 by banking entities that are members of the BBVA Group as of December 31, 2021, as a result of court rulings (and transactional agreements reached in court proceedings) as well as administrative fines imposed in procedures related to the privacy of natural persons, including their right to honor (2) (4).
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	NFIS/Our stakeholders/Customers/Customers safety and protection
	Card-related fraud losses from (1) card-notpresent fraud and (2) card-present and other fraud	At Group level, during the financial year 2021, losses have been recorded for a value of €74.4m, in case of fraud related to the absence of a card, and €20.2m with the presence of a card. Information that includes data from Argentina, Colombia, Spain, Mexico, Peru, Turkey, Uruguay and Venezuela.
	Description of approach to identifying and addressing data security risks	NFIS/Our stakeholders/Customers/Customers safety and protection
Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold	NFIS/Our stakeholders/Employees/Remuneration
	Approval rate for (1) credit and (2) pre-paid products for applicants with FICO scores above and below 660	It is not applicable to BBVA's current business model because it does not have presence in the USA. Disclosure of this metric is not excluded if its applicability is extended to other places where BBVA is present or the activity is resumed in the United States.
	(1) Average fees from add-on products, (2) average APR, (3) average age of accounts, (4) average number of trade lines, and (5) average annual fees for pre-paid products, for customers with FICO scores above and below 660	It is not applicable to BBVA's current business model because it does not have presence in the USA. Disclosure of this metric is not excluded if its applicability is extended to other places where BBVA is present or the activity is resumed in the United States.

	(1) Number of complaints filed with the Consumer Financial Protection Bureau (CFPB), (2) percentage with monetary or non-monetary relief, (3) percentage disputed by consumer, (4) percentage that resulted in investigation by the CFPB	It is not applicable to BBVA's current business model because the group does not have presence in the United States. However, BBVA has tools for communication, monitoring and response to claims or complaints submitted by customers, reported in this report to respond to other metrics. In caset that its applicability is extended to other places where BBVA has presence or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	Monetary losses of €2.5m are reported, incurred in 2021 by banking entities that are members of the BBVA Group as of December 31, 2021, as a result of court rulings (and transactional agreements reached in court proceedings) in which condemns the entity for lack of transparency and/or vice in consent (but not for abusiveness when it is not preceded by a transparency analysis) in the field of consumer financing (excluding micro-enterprises and the self-employed when they do not act as consumers) . Amounts derived from administrative sanctions are not included (for this purpose, please see metrics GRI 417-2 and GRI 419) [(2)] [(3)].
Activity metrics	Number of unique consumers with an active (1) credit card account and (2) pre-paid- debit card account	BBVA will continue working on future exercises to advance in the dissemination of this metric.
	Number of (1) credit card accounts and (2) pre-paid debit card accounts	On December 31, 2021, the data at Group level amounts to 25,255 thousand credit cards and 76,411 thousand debit cards [(1)].

(1) Includes information from Mexico, Turkey, Argentina, Colombia, Peru, Uruguay and Spain

(2) The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses in general), by the entity in question, during the 2021 financial year, excluding those derived from merely internal claims (defense services). customer service or customer advocate). The Fixing rate as of 12/31/2021 is applied as the exchange rate.

(3) As a result of said judgments (and transactional agreements), the affected entities, in the ordinary course of their business, carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the adaptation of the documentation or adjustment of contract conditions.

(4) As a result of said judicial rulings, agreements and administrative fines, the affected entities, in the ordinary course of their business, carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the adaptation of documentation, making adjustments to internal operations or implementing changes to privacy policies.

SASB-Mortgage Finance

Content index SASB. Mortgage Finance		
Topic	**Metric**	**BBVA Group's response**
Lending Practices	(1) Number and (2) value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660	It is not applicable to BBVA's current business model because the group does not have presence in the United States. In case that its applicability is extended to other places where BBVA is present or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	(1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660	It is not applicable to BBVA's current business model because the group does not have presence in the United States. In case that its applicability is extended to other places where BBVA is present or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators	Monetary losses of €20.5m are reported, incurred in 2021 by banking entities that are members of the BBVA Group as of December 31, 2021, as a result of court rulings (and transactional agreements reached in court proceedings) in which the entity is condemned for lack of transparency and/or vice in the consent (but not for abusiveness when it is not preceded by a transparency analysis, except as indicated in the following paragraph) in the field of mortgage financing to individuals when they mortgage their home, either as collateral for a loan for the purchase of the same or for the purchase of another property. Although these are not assumptions that are the subject of the metric because the lack of transparency and/or vices in consent are not discussed, but only abusiveness, because they are specific to the "Mortgage Finance" industry, monetary losses of €13 .8m incurred in 2021 by BBVA, S.A. as a result of legal proceedings arising from claims associated with mortgage financing expenses for consumers. Amounts derived from administrative sanctions are not included (for this purpose, please see metrics GRI 417-2 and GRI 419) [(1) (2)].
	Description of remuneration structure of loan originators	NFIS/Our stakeholders/Employees/Remuneration
Discriminatory Lending	(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660	It is not applicable to BBVA's current business model because the group does not have presence in the United States. In case that its applicability is extended to other places where BBVA is present or activity is resumed in the United States, BBVA will analyze the materiality of the metric for its inclusion in future reports.
	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending	No monetary losses have been incurred in financial year 2021 by the banking entities that make up the BBVA Group as of December 31, 2021, as a result of court rulings imposed in procedures associated with discriminatory practices in the granting of mortgage financing to individuals when they mortgage their home. , either in guarantee of 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 natural persons on the basis of criteria not strictly based on objective conditions of credit risk [(3)].
	Description of policies and procedures for ensuring non-discriminatory mortgage origination	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
Environmental Risk to Mortgaged Properties	(1) Number and (2) value of mortgage loans in 100-year flood zones	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
	(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	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting	NFIS/Report on climate change and other environmental and social issues/Management of risks associated with climate change
Activity metrics	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	See table (1) below. The data includes information from BBVA Spain, BBVA Mexico, BBVA Colombia and BBVA Peru.
	(1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial	Recently, BBVA has not carried out any type of activity related to the acquisition of mortgages and, therefore, this metric is considered non-material. Due to the possibility that this situation changes, BBVA will monitor and will report the information requested in this standard.

(1) The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses in general), by the entity in question, during the 2021 financial year, excluding those derived from merely internal claims (services of customer service or customer advocate). The Fixing rate as of 12/31/2021 is applied as the exchange rate.

(2) As a consequence of said judgments (and transactional agreements), the affected entities, in the ordinary course of their business, carry out an analysis of them and proceed to adopt a series of corrective measures, among which are the adaptation of the documentation, the adjustment of the conditions of the contracts or the modification or elimination of the clauses declared null (eg clause of expenses and floor clauses).

(3) The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses), by the entity in question, during the 2021 financial year, excluding those derived from merely internal claims (customer service or client advocate).

(1) MORTGAGES OPENED ON NOVEMBER 30, 2021 (NUMBER IN THOUSANDS, VALUES IN MILLIONS. EUROS)

	Number	Value
Residential	1,667	84,380
Commercial	145	9,743

2.4.4 Additional information on the BBVA Group's sustainability standards and frameworks

Origination of sustainable finance and Taxonomy of the European Union (EU)

BBVA's approach to the organization of sustainable finance includes financial flows to sustainable assets and finance for clients in their transition toward a sustainable future:

- Finance of activities in the EU for which we use the EU taxonomy. So far, the EU taxonomy includes the objectives for adaptation and mitigation of climate change.
- Financing of activities in the EU with objectives which are not yet included in the taxonomy but which are being developed, such as other environmental and social objectives, as well as other activities in transition. BBVA is aligned with the updated taxonomy at any time.
- Financing activities outside the EU. BBVA applies the same EU taxonomy but with some flexibility to reflect the differences in national policies and avoid the exclusion of emerging markets (e.g. CO2 thresholds for vehicles and the agricultural business). If a local taxonomy is in place, it will be applied.
- Other finance not included within the framework of EU Taxonomy, such as financial flows for general corporate purposes .

Emission framework of bonds linked to the Sustainable Development Goals (SDGs)

BBVA is now one of the most experienced banks in the green bond market. It began its activity in 2007 when it formed part of the issue of the first green bond by EIB. Since then, the Group has led, structured, advised and placed green and social bonds for its clients in Europe, Turkey, the United States, Mexico and South America.

In April 2018, BBVA published its framework for the issue of its own sustainable bonds, linked to the United Nations' Sustainable Development Goals (SDGs). Under the framework, BBVA can issue three types of bonds:

- green bonds: debt instruments whose fund will be allocated to finance new and/or existing projects;
- social bonds: debt instruments whose fund will be allocated to finance new and/or existing social projects;
- sustainable bonds: debt instruments whose fund will be allocated to finance new and/or existing green projects.

It is a framework aligned with the Green and Social Bond Principles and the Sustainable Bond Guide 2018 of the International Capital Market Association (ICMA), backed by a solid governance and with a management and strict monitoring of the net funds obtained and that has an assessment of an independent verification by DNV-GL. The framework is public and available on the BBVA shareholders and investors website.

The issue of green and social bonds forms part of BBVA's climate change and sustainable development strategy. On the sustainable market, the Group has since its inaugural issuance in 2018, carried out five public issuances divided between green bonds for €3 billion and social bonds for €2 billion. BBVA published a monitoring report for green and social bonds which includes the impacts of the bonds issued from 2018 to 2020. It is available on the BBVA Shareholders and Investors web page. Through the funds obtained, a total of 15,175 companies have benefited with a total of 207,628 employees, avoiding the emission of 2.3 million tons of CO_2 into the atmosphere, a figure equivalent to the annual emissions of over 912,000 cars.

Transactional framework of sustainable products

One of the core elements of BBVA's business model is the integration of the opportunities arising from the contribution toward global sustainability, thus providing its customers with innovative solutions for financing their investments with positive environmental and social impacts. Its aim is to foster sustainable financing, assess its strategic impact and boost and manage transformation initiatives that best respond to the challenges related to climate change and social issues.

BBVA considers that sustainable finance is an important strategy to help its clients in their change toward sustainability and a powerful tool to increase corporate responsibility. BBVA is thus committed the development of innovative and sustainable financial solutions. This framework is in line with this strategy, with the SDGs and with the Paris Agreement, and takes as a reference the current market standards reflected in the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, and the Green Loan Principles. For more information on these principles, see the section "Participation in international initiatives" in this Chapter.

The framework is divided into two types of product.

- Linked to the SDGs: financial solutions for the client projects, which directly contribute to one or more SDGs. These projects may be considered as green, social or sustainable according to the use of the funds, in fields such as renewable energies, energy efficiency, waste management, water treatment and access to services covering essential goods and services such as housing and inclusive finance. The funds or hedging obtained by green, social or sustainable products within the framework will not be used for certain excluded activities.
- Linked to sustainability: financial solutions that are not based on the use of funds but are eligible based on sustainability criteria of eligible companies (members of a sustainable index or ESG classification above the industry average) and that are defined within the framework itself. The market for financial products linked to sustainability is relatively new and it is growing rapidly, thereby allowing assistance to be given to companies and sectors that do not have specific sustainable projects to finance, and which are looking for ways to start or expand their path to sustainability. Products linked to sustainability are intended to facilitate and support economic activity and growth from the environmental and social point of view. The eligible companies may not be involved in excluded activities.

The framework is public and available on the BBVA Shareholders and Investors website.

2.4.5 Integration of ESG aspects in the clients relations

Integration of ESG aspects in wholesale client relations.

BBVA provides sophisticated financial services to its corporate and institutional clients from the Corporate & Investment Banking (CIB) units and Corporate and Business Banking (CBB). These clients range from major global corporate and institutional clients with very complex financial needs and other smaller ones with a more local presence and less sophisticated financial requirements.

Due diligence / customer insight

1. Due diligence process

As well as the customer knowledge and assessment process, known as Know Your Customer (hereinafter, KYC), BBVA has implemented a ESG data procurement service for its customers in collaboration with EST data suppliers through the creation of specific sustainability questionnaires by industries with the aim of increasing the knowledge of environmental performance of customers to allow them to make the best decisions based on data.

For the mining, agro-industry, energy and infrastructure sectors, BBVA carries out enhanced due diligence through an independent expert and operations in these sectors, where ESG aspects are assessed.

BBVA, within the scope of preparing and defining its industry frameworks governing the credit admission process, has developed an internal Taxonomy of transition risk in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the client level to assess their vulnerability and to integrate this aspect into risk and client support decisions. Once climate risk is incorporated into the Risk Appetite Framework and the business strategy, it also must be included in the day-to-day risk management, which is a part of the risk decision making that supports the Bank's clients. More information on this point is available in the chapter "Integration of climate change into risk decisions" in this report).

BBVA is also developing the admission model with sustainability factors as a fundamental step to support green products.

2. Analysis of environmental and social risks and opportunities.

BBVA was the first bank in the world to use data analytics to calculate the carbon footprint of companies and use it to offer value solutions to our customers. The calculation of the carbon footprint for companies provides information on the ESG profile of customers (calculation of the footprint, changes over time, comparison with the average in the sector and similar companies, etc.). This allows BBVA to categorize its customers and implement advice actions and commercial actions targeted, customized and adapted to the profile of each customer.

Recently functionalities have been incorporated which allow the definition of energy saving targets, alerts which provide a warning when the target is not being met, and a comparison of consumption with other companies in the same sector of activity (CNAE), similar level of turnover and number of employees on the workforce, indicating the percentile of monthly expenses compared with other comparable companies.

BBVA uses natural language processing techniques for the categorization of the ESG of clients at large scale based on public information such as corporate customer websites, official registries, news, etc.

BBVA's leadership in digital transformation allows it to take advantage of its digital and data analytics capabilities to offer customized advice and solutions through the categorization of certain banking transactions. This categorization of transactions will allow it to initiate a commercial advice conversation which helps its customers to improve their environmental performance.

As well as promoting the sustainability in the businesses it finances, BBVA Group has adhered to numerous sustainability initiatives, as specified in the section "Participation in international initiatives" in this report.

ESG support for wholesale clients

BBVA interacts and shares ESG knowledge and best practice with its clients through a variety of mechanisms:

a. Direct support for ESG

To complete the sustainable offer, the ESG Advisory service was created in 2020 to assist global customers in their transition toward a sustainable future in all sectors of activity. This involves data-driven assessments and guidance to assist customers in undertaking commitments, each from a different starting point, to align with the Paris Agreement and make progress in terms of the United Nations 2030 Sustainable Agenda.

Dialog with customers on ESG aspects is based on:

- General introduction. General description of how sustainability is evolving in the political and financial context, explaining the principal regulatory issues, reporting needs, developments in the financial markets, ESG classifications, etc.
- Industrial specialization in industries which are facing the biggest challenges for a transition to a low-carbon economy. oil and gas, energy, automobile manufacturers and auto parts, as well as other industries such as infrastructures, processed food, beverages, cement, fintechs and pharmaceuticals. Customers are informed on the main challenges and opportunities for the industry and the dialog is focused on a roadmap for each industry to align with the Paris Agreement commitment. BBVA provides information for its customers on regulation, technological improvements and the best practices of each industry. The Group also provides a comparative analysis on how similar companies are performing in terms of ESG, different alternatives to improve their sustainable profile, and how to establish specific short- and medium-term objectives.
- Description of sustainable finance products. BBVA offers customers a list of sustainable products and finance (bonds, loans, global transactional banking, global markets, equity, mergers and acquisitions)

BBVA directly supports its global and non-global customers to incorporate ESG practices in their business strategies and transactions by carrying out one-on-one visits, invitation to events, advice on projects with technology and consulting firms and other advice services.

BBVA customers also have publicity information and a catalog of sustainable products on the transactional banking website. The Group makes available to its customers product information, sustainability advice and explains their impact on the environment (savings in electricity consumption with an energy efficiency loan, fuel savings when arranging a loan to renew the vehicle fleet, etc.).

b. ESG knowledge transfer

On the www.bbva.com website, and social media BBVA customers have available information and content on sustainability in general, best practices, financed transactions, ESG criteria in day-to-day activities, transactions financed, ESG criteria in the daily activities of companies and individuals, recommendations, etc. There is a team dedicated to the creation and dissemination of knowledge on ESG issues.

The Group has a sustainability section on its corporate website where seven different categories provide access to informative content with which BBVA wants to bring the challenges of sustainability and the economy to society. These contents can also be heard in its podcast "Sustainable Future."

In 2021 over 800 articles were published impacting more than 3.5 million unique users, over 100 podcasts with more than 180,000 downloads, a newsletter with over 3,600 subscribers, more than 100 YouTube videos with over 795,000 views and content on social media with over 66,000 clicks.

Through social media, BBVA reaches out to people and generates knowledge of ESG issues to generate a positive impact.

In 2021 BBVA initiated a series of sustainability webinars with the aim of spreading and providing people with direct access to the knowledge of experts in a variety of disciplines. The first of them was organized in December, and will cover how to calculate the carbon footprint.

Support metrics

In 2021, over 20 global customers were contacted through the ESG Advisory service. Over 300 pitches were also made.

Moreover, in 2021 over 400 ESG commercial and advice visits were made to customers who were presented with a value proposition with ESG characteristics adapted to their needs and profile (sector, activity, maturity, loyalty to BBVA, risk profile, proposed use of funds, product and price).

We have also organized events with sustainability-related contents: trends, sustainable finance, risks, opportunities, energy efficiency, renewable energy, clean transportation and agriculture.

The development of sustainable business in customers' companies, focused on promoting sustainable mobility, energy efficiency and renewable energy, has led to agreements with third parties for the distribution of electric cars, to enhance energy saving projects and the installation of solar panels.

Finally, BBVA, in collaboration with a company specialized in managing European funds from the Next Generation EU program approved by the European Commission, offers an advisory service to clients who promote Spanish projects related to the ecological transition and sustainable mobility, among others. More than 1,000 companies have shown interest in this advisory service

Exclusions

As part of its competitive strategy, BBVA does not finance companies or projects in sectors included in the section "Environmental and social framework" section of this report. In 2021 over 300 groups were classified within this framework.

Integration of ESG aspects in retail customer relations

The retail banking business units include SME banking and household customer banking.

Due diligence / customer insight

1. **Due diligence process.**

BBVA identifies, accredits and documents the activity carried out by our customers through the Know Your Customer process known as KYC. BBVA's KYC process has been designed and implemented through a risk approach and allows a better knowledge of our customers, their transactions and segmentation, channels, jurisdictions and transaction monitoring. KYC is not a static process, but renewed periodically.

2. **Analysis of environmental and social risks and opportunities.**

BBVA is the first entity in Spain to offer the calculation of the carbon footprint to its individual customers thanks to its digital and data analytics capabilities. This new service raises the awareness of the Bank's individual customers on the impact its actions have on the environment, and help them transition to a more sustainable world. Adding the characteristics of housing (area, energy certification, etc.) BBVA may value improvements in energy efficiency and offer advice. These recommendations include, for example, simple and sustainable changes in habits that allow a reduction of the amounts in utility bills. Customers will also be able to see and/or buy one of the sustainable products offered by BBVA. BBVA also analyzes the portfolio of auto loans and the mortgage portfolio of the retail banking through the “Valora” tool.

As well as promoting the sustainability in the businesses it finances, BBVA Group has adhered to numerous sustainability initiatives, as specified in the chapter "Participation in international initiatives" in this report.

ESG support for retail customers

a. Direct support for ESG

BBVA supports its customers to incorporate ESG practices through one-to-one meetings and visits, mass participation events, advice on projects with technology and consulting firms and other advice services. BBVA advises its customers through digital channels and its commercial branch network. It is an integrated model of service that ranges from raising awareness to project design and management of public subsidies.

The managers, mobile banking and the commercial network offer a wide range of sustainable investment and finance products, adapted to the situation in each of the geographies in which it operates. In Spain, BBVA already offers a sustainable alternative for all its traditional products for SMEs and individuals. In all the countries, efforts are focused on sustainable mobility, housing reform with energy efficiency, and the green mortgage.

Retail customers also have publicity information and a catalog of sustainable products on the transactional banking website. BBVA makes available to its customers product information, sustainability and other advice, explaining product impact on the environment by giving examples (savings in electricity consumption with leasing plans for LED lighting or an energy efficiency loan, fuel savings when arranging leasing plans for electric cars / loans for environmentally-friendly cars, etc.).

b. ESG knowledge transfer

The transfer of ESG knowledge to retail customers is carried out in the same way as in the wholesale customer area, as specified in the above section "I. Integration of ESG aspects in wholesale customer relations."

Support metrics

In 2021, the carbon footprint calculator had more than 500,000 visits.

Some 80 events have been organized in a variety of formats (webinars, panels of experts, forums, working breakfasts, encounters, etc.) which have impacted 23,473 people: 3,364 connected (14%), 19,264 streaming (82%) and 845 attending in person (4%). They include content related to sustainability: trends, sustainable finance, risks, opportunities, energy efficiency, renewable energy, clean transportation and agriculture.

2.4.6 Contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted in 2015 within the framework of the United Nations 2030 Agenda for Sustainable Development and have been signed by 193 countries. The 17 goals seek to eradicate poverty, protect the planet and ensure prosperity for all. This initiative aspires to involve all interest groups, from governments to companies to civil society. Each of the objectives, stated with a specific purpose, in turn lists several goals to achieve it and each goal has its own indicators, which serve to determine the degree of achievement of each objective.

BBVA focuses on contributing to five SDGs through the development of its business, generating a greater positive impact by taking advantage of the multiplier effect of banking. These SDGs are: 7, 12 and 13 (Climate Action); and 8 and 9 (Inclusive growth). Additionally, BBVA contributes significantly to these and other SDGs through the direct impacts of its activity and through its investment in the community.

Priority SDGs on accompanying clients

Climate action

Originating the investments needed to manage the climate change challenge. In alignment with:

THREE CATEGORIES OF BUSINESS INITIATIVES

Energy efficiency
Technologies that reduce energy use per product unit

Circular economy
recycling, new materials, responsible use of natural resources, etc.

CO_2 Reduction
Renewables and other clean energy sources, electric mobility, etc.

Inclusive development

Originating the investments needed to build inclusive infrastructure and support inclusive economic development. In alignment with:

THREE CATEGORIES OF BUSINESS INITIATIVES

Digital solutions
Providing financial solutions for the population without banking services

Inclusive infrastructures
With a focus on basic services, affordable and sustainable transport

Support to entrepreneurs
And promotion of economic growth and productive employment

Other impacts

Direct impact

Direct impact of operational and governance models

Community investment

Impact of the social initiatives and programs that help improve the societies where BBVA operates

Impact metrics

BBVA integrates the SDGs in its Sustainability Policy and in its Corporate Social Responsibility Policy, to contribute to them through its direct impact as a company, the development of its business, its social action and the alliances to which BBVA is attached. To report on this impact, methodological guidelines published by GRI, United Nation Global Compact and the World Business Council for Sustainable Development[22] and by the World Economic Forum have been used[23].

[22] 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.
[23] World Economic Forum (2020). Toward Common Metrics and Consistent Reporting of Sustainable Value Creation.

1. Planet

SDG 7 AFFORDABLE AND CLEAN ENERGY

		2021	2020
Direct impact	Environmentally certified area in m^2 (%) (1)	39 %	41 %
	Electricity usage per employee (MWh/occup)	5.76	6.02
	Reduction of electricity usage per employee (%) (2)	(14)%	(10)%
	Electricity coming from renewable sources (%) (2)	79 %	71 %
	CO_2 emissions per employee (T CO_2/occup) (3)	0.94	0.80
	CO_2 emission reduction per employee (TCO_2/occup) (2) (3)	(60)%	(66)%
	Emissions offset (%)	100 %	100 %
	Energy consumed (megawatt-hour)	695,140.28	717,011.28
	Join RE 100	✓	✓
Indirect impact on our clients	Financing of renewable energy projects (million €)	846	414
	Carbon footprint calculator (number of enterprise users)	11,492	2,174
	CO_2 emissions avoided through the issuing of green bonds (T of CO_2)(4)	n/a	1,307,860
	Renewable energy generated from the issuing of green bonds (GWh/year)(4)	n/a	5,703

(1) The following seals/certifications are considered: Leed, ISO 14001, ISO 50001, EDGE, Zero Waste, WWWF Green Office, Green Seal. Previously this indicator was Employees in certified buildings (%)

(2) With respect to base year 2019 (2020 consumptions are distorted by the effect of the pandemic)

(3) Included emissions Scope 1 (fuels in facilities and fleet and refrigerant gases), Scope 2 (electricity consumption; Market-based method) and Scope 3 (waste management, business trips by plane and train and employee displacement)

(4) Data 2021 not available at the date of publication of this report.

SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

		2021	2020
Direct impact	Reduction of water consumed per employee (%) (1)	(5)%	(5)%
	Reduction of paper consumed per employee (%) (1)	(32)%	(34)%
	Water consumption per employee (m3/occup)	17.9	17.98
	Paper consumption per employee (kg/occup)	33.8	32.65
	Public water supplied (millions of cubic meters)	1.87	1.92
	Paper consumed (T)	3,636	3,521
	Hazardous waste (T)	119.55	31.35
	Non-hazardous waste (T)	4,198	3,250
	Waste recycled (T)	2,402	1,154
	% contracts awarded to certified suppliers	97 %	97 %
	% local suppliers/total suppliers	98 %	97 %
Indirect impact on our clients	Wastewater treated from the issuing of green bonds (m3/year) (2)	n/a	12,141,005
	Waste treated from the issuing of green bonds (T/year) (2)	n/a	349,828

(1) With respect to base year 2019 (2020 consumptions are distorted by the effect of the pandemic)

(2) Data 2021 not available at the date of publication of this report.

SDG 13 CLIMATE ACTION

		2021	2020
Direct impact	Scope 1 emissions (tons of CO_2e) (1)	49,639	12,235
	Scope 2 emissions (tons of CO_2e) market-based method	42,355	68,155
	Scope 2 emissions (tons of CO_2e) location-based method	202,492	243,033
	Scope 3 emissions (tons of CO_2e) derived from plane business trips (2)	9,432	5,843
Indirect impact on our clients	Green bond issued (€ million)	—	1,000
	Pledge 2025: green mobilization (€ million)	22,042	10,747
	Wholesale loan portfolio exposed to sectors sensitive to transition risks (%)	9.0 %	9.1 %
	Total amount of operations analyzed under the Equator Principles (€ million)	18,648	12,061

(1) In the 2020 Scope 1 emissions, only those derived from the consumption of fuels in our facilities were taken into account. In the 2002 Scope 1 emissions1 , this scope has been expanded to include emissions from the use of fuels in our vehicle fleets and refrigerant gases used in our air conditioning installations.

(2) In the 2020 Scope 3 emissions, only emissions from air travel were taken into account. In 2021, this scope has been expanded to include emissions from waste management, train travel and employee commuting to work.

2. Prosperity

SDG 8 DECENT WORK AND ECONOMIC GROWTH

		2021	2020
Direct impact	Financial value created: gross income (€ million)	21,066	20,166
	Number of employees	110,432	123,174
	Number of employees with different capacities	589	797
	Number of suppliers	3,332	3,582
	Suppliers annual turnover(€ million)	5,966	6,906
Indirect impact on our clients	Financing for social entrepreneurs in Momentum Program (€ million)	—	1.2
	Financing for businesses in neighborhoods with limited resources (€ million)	49.24	1,021.91
	Businesses benefiting by social bonds issued (number) (1)	n/a	15,175
	People (employees) benefiting by social bonds issued (number) (1)	n/a	207,628
	Social bond issued (€ million)	1,000	1,000
Impact on community investment	Investment in entrepreneurial initiatives (€ million)	8.0	7.7
	People benefiting from initiatives to support entrepreneurship (million)	2.8	2.6
	Entrepreneurs who receive financial support (million)	2.8	2.6
	Entrepreneurs who receive non-financial support (number)	14,115	4,092
	Unique users for pages with content related to entrepreneurship (million)	280,558	n.a.

(1) Data 2021 not available at the date of publication of this report.

SDG 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

		2021	2020
Direct impact	Number of clients (million)	81.7	78.4
	Financing for social infrastructure (€ million)	2,868	3,009
Impact on community investment	Investment in science and research (€ million)	21.8	26.0
	People benefiting from science and research initiatives (million)	6.3	3.6

(1) Includes people reached directly and through content (single user).

SDG 11 SUSTAINABLE CITIES AND COMMUNITIES

		2021	2020
Indirect impact on our clients	Loans financing low-income neighbourhood housing (€ million)	96	621
	Social housing policy: refinancing agreements	84,600	85,000
	Social housing granted to public entities	1,000	1,000
	Mortgage loans (€ million)	91,324	91,428
	Consumer loans (€ million)	31,026	29,571
	Credit card loans (€ million)	12,936	12,016
Impact on community investment	Investment in initiatives to support culture (€ million)	5.3	10.0
	People benefiting from initiatives supporting culture (million)	1.9	1.4

(1) Includes people reached directly and through content (single user).

3. People

SDG 4 QUALITY EDUCATION

		2021	2020
Direct impact	Investment in employee training (€ million)	36	31.8
	Training per employee (hours per employee)	44.8	41.4
	Employees who receive training (% of the total)	98 %	92 %
	Employees who have finished the basic course on sustainability	57,210	31,589
Indirect impact on our clients	% Digital clients who use financial health features (Spain)	53.3 %	39.9 %
Impact on community investment	Investment in education programs (€ million)	58	43
	Beneficiaries education for society (million)	0.3	0.6
	Unique users who acquire open knowledge through "Aprendemos juntos" (million)	18.5	13.3
	BBVA volunteers who participate in Education initiatives (number)	2.5	1.7
	Unique users that visit content on sustainability in www.bbva.com (number)	3.6	0.9

SDG 5 GENDER EQUALITY

		2021	2020
Direct impact	% Women on the workforce	53 %	54 %
	% Women board members	33%	33%
	% Women in senior management positions	27 %	32 %
	% women in management positions	36 %	43 %
	Promotions of women (% of total)	52 %	54 %
	Women new hires (% of total)	49 %	53 %
	Wage gap (%)	0.6 %	1.1 %
Indirect impact on our clients	Loans to female entrepreneurs (€ million)	237	244
	Gender Bonds intermediated (€ million)	— %	23
Impact on community investment	% of clients Microfinance Foundation (women)	59 %	60 %
	Bloomberg Gender-Equality Index	✓	✓
	BBVA Microfinance Foundation, top global contributor to gender equality initiatives according to the OECD	✓	✓

SDG 10 REDUCED INEQUALITIES

		2021	2020
Direct impact	Number of ATMs (units)	29,148	31,000
	Number of branches (units)	6,083	7,432
Indirect impact on our clients	Financing for financial inclusion (€ million)	404	170
	Number of clients belonging to financial inclusion segment Mexico (million)	8.3	7,6
Impact on community investment	Financing for vulnerable entrepreneurs (€ million) (1)	1,114	944
	Total number of Microfinance Foundation credit clients at the end of the year (million)	0.86	0.84
	% of Microfinance Foundation clients (rural)	34 %	32 %
	% of Microfinance Foundation clients (primary education at most)	35 %	38 %
	Investment in financial education programs and initiatives (€ million)	3.3	2.7
	Beneficiaries of financial education programmes (million)	0.7	0.3

(1) 96.5% of clients are economically or socially vulnerable

4. Governance

SDG 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

		2021	2020
Direct impact	Corporate purpose that connects the main business with benefiting society	✓	✓
	Governance body with ESG competencies	✓	✓
	Taxes paid (€ million)	8,215	8,325
	Anti-corruption policy	✓	✓
	Supplier ethics code	✓	✓
	BBVA and human rights	✓	✓
	Corporate Social Responsibility Policy	✓	✓
	Employees who have received code of conduct training	104,476	115,334
	Employees who have received anti-corruption policy training	71,470	77,184
	Complaints received through complaint channels	1,748	1,417
	Employees who have received anti-money laundering training	97,106	97,573
	Anti Money Laundering: nº investigation files	141,850	167,127
	Anti Money Laundering: nº suspicious transactions reported to authorities	78,421	82,361
	Anti Money Laundering: Engagement with governmental agencies and international organizations	✓	✓
Indirect impact on our clients	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	10	13
	Average time to resolve complaints (calendar days)	5	11

SDG 17 PARTNERSHIP FOR THE GOALS

		2021	2020
Direct impact	RE 100; GECV, re -Source	✓	✓
	BBVA chairs REDI, the Business Network for LGTBI Diversity and Inclusion in Spain	✓	✓ (member)
	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	✓	✓
Indirect impact on our clients	Signatory of the Principles for Responsible Banking and the Principles for Responsible Investment	✓	✓
	Promoter of Green Bond Principles and Social Bond Principles	✓	✓
	Member of regional (EBF) and local (AEB, ABM Asobancaria, etc.) banking associations	✓	✓
	Signatory of sectoral agreements: ANESE, Faconauto	✓	✓
	Signatory of the UNEP FI Collective Commitment to Climate Action	✓	✓
	Signatory of the Net Zero Banking Alliance	✓	n/a
	Collective Committment to Financial Education & Inclusion	✓	n/a
Impact on community investment	Number of volunteers (employees)	9,066	9,734
	Number of hours of volunteer work	26,577	73,991
	Member of United Nations Global Compact	✓	✓
	Member of the Thun Group of Banks on Human Rights	✓	✓
	Signatory of the Equator Principles	✓	✓
	Member of local, regional and international organizations that promote CSR (Seres, CSR Europe, CECP, etc.)	✓	✓

2.4.7 Additional information on customer complaints

Customer Care Service and Customer Ombudsman in Spain

The activities of the Customer Care Service and Customer Ombudsman in 2021 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of the Economy, in compliance with the competences and procedures established in the Customer Protection Charter in Spain of BBVA Group, approved on July 23, 2004 by the Board of Directors of the Bank, with subsequent amendments (the latest on February 25, 2021).

Based on the above regulations, the Customer Care Service is in charge of handling and resolving customers complaints and claims regarding 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 complaints and claims submitted by the participants and beneficiaries of the pension plans. It also resolves those related to insurance and other financial products that BBVA Group Customer Care Service considers appropriate to transfer it, based on the amount or particular complexity, as established under article 4 of the Customer Protection Charter. At the next level, the Customer Ombudsman is made aware of and resolves the complaints and claims that the customers decide to submit for their consideration after their claim or complaint has been dismissed by the Customer Care Service.

Activity report on the Customer Care Service in Spain

The Customer Care Service works to detect recurring, systemic or potential problems in the Entity, in compliance with European claims guidelines established by the relevant authorities (ESMA and EBA). Its activity, therefore, goes beyond merely managing claims, but rather, it works to prevent them and in cooperation with other BBVA departments.

The main types of claims received in 2021 were those related to the collection of fees for settling accounts, as well as those relating to residential mortgages.

In 2021, the Customer Care Service received extra training on transparency regulations, the Mortgage Loan Act (Ley de Crédito Inmobiliario) and the prevention of money laundering in MiFID itineraries and the new Second Chance Act (Ley de Segunda Oportunidad). This guarantees that the managers of the Customer Care Service can remain up to date with the most important new legislation and case-law affecting is activity.

Customer claims admitted to BBVA's Customer Care Service in Spain amounted to 180,826 cases in 2021. In the same period 184,524 were resolved by the Customer Care Service itself (including claims pending at the close of 2020). Pending analysis are 3,147 claims as of December 31, 2021, and 22,426 cases were not admitted to processing due to a failure to comply with the requirements of OM ECO/734.

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (PERCENTAGE)

Type	2021	2020
Resources	52	38
Assets products	18	26
Insurances	1	3
Collection and other services	3	4
Financial counselling and quality service	3	4
Credit cards	14	17
Securities and equity portfolios	1	1
Other	8	7
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (NUMBER)

	2021	2020
In favor of the person submiting the complaint	94,933	44,820
Partially in favor of the person submitting the complaint	17,225	12,669
In favor of the BBVA Group	72,366	37,755
Total	**184,524**	**95,244**

Activity report of the Customer Ombudsman in Spain

One more year, the Customer Ombudsman, along with the BBVA Group, once more achieved the objective of unifying criteria and favoring customer protection and security, making progress in compliance with transparency and customer protection regulations. In order to efficiently translate their observations and criteria on the matters submitted for their consideration, the Ombudsman promoted several meetings with the Group's areas and units (Insurance, Pension Plan Management, Business, Legal Services, etc.)

In 2021, 2,997 customer claims were filed at the Customer Ombudsman Office (compared to 4,941 in 2020). Of these, 98 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 125 were pending as of December 31, 2021.

A total of 56.75% of customers who submitted a complaint to the Customer Ombudsman in 2021 reported some level of satisfaction, whether total or partial, because of the decision of the Officer of the Customer Ombudsman. Customers not satisfied by the response of the Customer Ombudsman may have recourse to the official supervisory bodies (Bank of Spain, CNMV and Directorate-General for Insurance and Pension Funds). 242 claims were filed by customers to supervisory bodies in 2021.

The Group continues making progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information throughout the year. In 2021, these recommendations and suggestions focused on raising the level of transparency and clarity of the information that the Group provides for its customers, both in terms of commercial offers available to them for each product, and in compliance with the orders and instructions thereof, so that the following is guaranteed:

- An understanding by customers of the nature and risks of the financial products offered to them.
- The suitability of the product for the customer profile.
- The impartiality and clarity of the information that the Entity targets at customers, including advertising information.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (NUMBER)

Type	2021	2020
Insurance and welfare products	685	1,097
Assets operations	401	1,810
Investment services	110	262
Liabilities operations	257	350
Other banking products (credit card, ATMs, etc.)	817	862
Collection and payment services	344	249
Other	383	311
Total	**2,997**	**4,941**

The categorization of the claims managed in the previous table follows the criteria established by the Complaints Department of the Bank of Spain, in its requests for information.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (NUMBER)

		2020
Formal resolution	0	—
Estimate (in whole or in part)	1,861	2,433
Dismissed	1,320	2,196
Processing suspended	0	—
Total	**3,181**	**4,629**

2.4.8 Other non financial risks

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

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

3. Financial information

3.1 Group

3.1.1 Main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)	31-12-21	Δ %	31-12-20	31-12-19
Balance sheet (millions of euros)				
Total assets	662,885	(9.7)	733,797	695,471
Loans and advances to customers (gross) [(1)]	330,055	2.1	323,252	337,388
Deposits from customers [(1)]	349,761	2.1	342,661	320,589
Total customer funds [(1)]	465,529	4.5	445,608	428,392
Total equity	48,760	(2.5)	50,020	54,925
Income statement (millions of euros)				
Net interest income	14,686	0.6	14,592	15,789
Gross income	21,066	4.5	20,166	21,522
Operating income	11,536	4.1	11,079	11,368
Net attributable profit (loss)	4,653	256.6	1,305	3,512
Net attributable profit (loss) excluding non-recurring impacts [(2)]	5,069	85.7	2,729	4,270
The BBVA share and share performance ratios				
Number of shares issued (million)	6,668	—	6,668	6,668
Share price (euros)	5.25	30.1	4.04	4.98
Adjusted earning (loss) per share (euros) [(3)]	0.71	101.4	0.35	0.58
Earning (loss) per share (euros) [(3)(4)]	0.67	n.s.	0.14	0.47
Book value per share (euros) (3)(4)	6.86	2.5	6.70	7.32
Tangible book value per share (euros) (3)(4)	6.52	7.8	6.05	6.27
Market capitalization (millions of euros)	35,006	30.1	26,905	33,226
Yield (dividend/price; %) [(5)]	2.6		4.0	5.2
Significant ratios (%)				
Adjusted ROE (net attributable profit (loss)/average shareholders' funds +/- average accumulated other comprehensive income) [(2)]	11.4		6.1	8.7
Adjusted ROTE (net attributable profit (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) [(2)]	12.0		6.5	9.3
Adjusted ROA (Profit (loss) for the year/average total assets) [(2)]	0.94		0.54	0.84
Adjusted RORWA (Profit (loss) for the year/average risk-weighted assets - RWA) [(2)]	2.01		1.16	1.69
Efficiency ratio	45.2		45.1	47.2
Cost of risk [(6)]	0.93		1.55	1.04
NPL Ratio [(6)]	4.1		4.2	4.2
NPL coverage ratio [(6)]	75		82	75
Capital adequacy ratios (%)				
CET1 fully-loaded	12.75		11.73	11.74
CET1 phased-in [(7)]	12.98		12.15	11.98
Total ratio phased-in [(7)]	17.24		16.46	15.92
Other information				
Number of clients (million) [(8)]	81.7	4.2	78.4	75.6
Number of shareholders	826,835	(6.0)	879,226	874,148
Number of employees	110,432	(10.3)	123,174	126,973
Number of branches	6,083	(18.2)	7,432	7,744
Number of ATMs	29,148	(6.0)	31,000	32,658

General note: the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, are presented in a single line as "Profit (loss) after tax from discontinued operations".

(1) Excluding the assets and liabilities figures from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, classified as non-current assets and liabilities held for sale (NCA&L) as of 31-12-20. The figures related to "Loans and advances to customers (gross)", "Deposits from customers" and "Total customer funds", including BBVA USA, would stand at €394,763m, €384,219m and €492,022m, respectively, as of 31-12-19.

(2) Non-recurring impacts include: (I) profit (loss) after tax from discontinued operations as of 31-12-21, 31-12-20 and 31-12-19; (II) the net costs related to the restructuring process as of 31-12-21; and (III) the net capital gain from the bancassurance operation with Allianz as of 31-12-20.

(3) For the adjusted earning (loss) per share and earning (loss) per share calculation the additional Tier 1 instrument remuneration is adjusted. As of 31-12-21, 112 million shares acquired within the share buyback program in 2021 were considered.

(4) The estimated number of shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021, was included.

(5) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

(6) Excluding BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

(7) 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.

(8) Excluding BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 and BBVA Paraguay.

3.1.2 Macroeconomic and regulatory environment

Macroeconomic environment

In 2021 the global economy has grown significantly, recovering in part from the crisis caused by the pandemic, which caused a sharp fall in global GDP in 2020. The significant upturn in global growth has been due to progress in the vaccination against COVID-19 and important economic stimuli adopted by public authorities.

Activity indicators show, however, that the economic recovery process has lost momentum in recent months. The recent slowdown in economic growth is taking place in an environment marked by a sharp increase in infections caused by new variants of the COVID-19, although the increasing immunization of the world population has helped to generally prevent the adoption of mobility restrictions, which would have had a greater impact on the economy.

The effects of reduced production due to the pandemic and its persistence, coupled with fiscal stimuli and strong demand for goods, once restrictions have been lifted, contribute to maintaining the problems in global supply chains observed since the beginning of 2021 which, in addition to negatively affecting economic activity, generate significant upward pressure on prices.

Against this backdrop, annual inflation in December 2021 stood at 7.0% in the United States and 5.0% in the Eurozone. In both geographical areas, long-term inflation expectations from markets and surveys have been adjusted upwards, although in the case of the Eurozone they remain generally below the European Central Bank's (hereinafter, ECB) 2% target.

High inflation rates and their increased persistence have put pressure on central banks to withdraw monetary stimuli earlier than they had originally anticipated. The United States Federal Reserve, in particular, has begun the rollback in its bond-buying program and has suggested that monetary policy interest rates will adjust upwards earlier and faster than expected by financial markets and financial analysts, and also that a downsizing of its balance sheet may soon begin. In the Eurozone, the ECB will complete the pandemic emergency purchase program (PEPP) in March 2022. Although the asset purchase program (APP) is maintained, asset purchases will be moderated over the course of 2022. However, unlike the Federal Reserve, the ECB has continued to maintain that it rules out an increase in benchmark interest rates in 2022.

According to BBVA Research, the global economic recovery process is expected to continue in the coming months, albeit at a slightly slower pace than expected in autumn of 2021, due to the persistence of the pandemic, but also due to a higher-than-estimated impact of supply chain problems and inflationary pressures. All this against a background of reduced fiscal and monetary stimulus. GDP growth would therefore moderate, from an estimated 5.6% in 2021 to about 4.2% in 2022 in the United States, from 5.1% in 2021 to 3.7% in 2022 in the Eurozone and from 8.0% in 2021 to 5.2% in 2022 in China. The likely rise in monetary policy interest rates in the United States, which could reach 1.25% by the end of 2022, as well as a progressive control of the pandemic and a moderation of supply chain problems, would allow inflation to be moderated throughout the year; although inflation is expected to remain high, particularly in the United States. Risks arising from this economic scenario expected by BBVA Research are significant and are biased downwards in the case of activity, and include more persistent inflation, financial turbulence caused by a more aggressive withdrawal of monetary stimuli, the emergence of new variants of the coronavirus that bypass current vaccines, a more intense slowdown in the Chinese economy, as well as social and geopolitical tensions.

REAL GDP GROWTH AND INFLATION IN 2020 (REAL PERCENTAGE GROWTH)

	2021		2022	
	GDP	INFLATION	GDP	INFLATION
World	6.1	4.7	4.4	3.4
Eurozone	5.1	5.0	3.7	1.1
Spain	5.1	6.5	5.5	1.1
The United States	5.6	7.0	4.2	3.2
Mexico	5.3	7.4	2.2	4.1
South America (1)	7.2	12.0	2.0	10.3
Turkey	10.8	36.1	3.5	35.0
China	8.0	3.0	5.2	2.0

Source: BBVA Research estimates. Inflation end of period.

(1) It includes Argentina, Brazil, Chile, Colombia, Paraguay, Peru and Uruguay

Exchange rate evolution

The U.S. dollar accumulated a 8.3% appreciation against the euro in 2021, thus reversing a large part of the depreciation which occurred in 2020 after the outbreak of the pandemic. Among the emerging currencies, it is worth highlighting the strong depreciation of the Turkish lira in 2021 (-40.2%), severely penalized in recent months by rate reductions. The positive aspect came from the good performance of the Mexican peso, which registered an appreciation of 5.5% against the euro since the end of 2020. With regard to South American currencies, Peruvian sol finally closed the year with a very moderate depreciation against the euro (-1.3%), while Chilean peso (-8.8%) and Colombian peso (-6.6%) depreciated slightly more. For its part, Argentine peso registered a moderate depreciation (-11.3%) compared to previous years.

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	
	31-12-21	Δ % on 31-12-20	Δ % on 30-09-21	2021	Δ % on 2020
U.S. dollar	1.1326	8.3	2.2	1.1827	(3.5)
Mexican peso	23.1438	5.5	2.6	23.9842	2.3
Turkish lira	15.2335	(40.2)	(32.4)	10.5067	(23.4)
Peruvian sol	4.5045	(1.3)	6.2	4.5867	(13.0)
Argentine peso (1)	116.37	(11.3)	(1.8)	—	—
Chilean peso	956.70	(8.8)	(2.7)	897.78	0.6
Colombian peso	4,509.06	(6.6)	(1.5)	4,427.36	(4.8)

(1) According to IAS 29 "Financial information in hyperinflationary economies", the year-end exchange rate is used for the conversion of the Argentina income statement.

Regulatory environment

Return to normal in the post-COVID-19 regulatory work plans

The regulatory environment of the financial industry in 2021 has been marked by measures designed to boost post-COVID-19 recovery, with a great weight being given to criteria of sustainability and digitalization. Banks have made a great effort to implement the measures proposed by the authorities and to make possible a recovery which is sustainable over time.

1. Post-COVID-19 recovery

The G-20 summit held in Rome in October 2021 determined that the global economic recovery is firm, underpinned by the confidence of having overcome the pandemic and by support measures. The Financial Stability Board presented its final report on the lessons learned from the pandemic, considering COVID-19 to be the first test of the financial system since the global crisis of 2008. It reviews the resilience of markets and institutions, operational resilience and preparation for the crisis.

At European level, the recovery is reflected in the European Central Bank's (ECB) decision not to prolong beyond 2021 the recommendation to limit dividend distribution, which was issued for the first time to credit institutions in March 2020.

With respect to the measures dealing with non-performing loans (NPLs), the European Commission has continued to develop the action plan on NPLs published in December 2020. In the summer of 2021 the Committee renewed a group of experts formed by members of the industry (including BBVA) to address potential initiatives in the matter of NPLs. In December 2021 the Directive on credit servicers and credit purchasers was published in the Official Journal of the European Union (OJEU). It was focused on promoting secondary NPL markets, giving Member States a deadline of 24 months for transposing it at national level.

In 2021, attention was also focused on the recapitalization of viable institutions. To give one example, Spain approved the Code of Good Practice for the renegotiation framework for customers with secured finance, under Royal Decree-Law 5/2021 on extraordinary measures to support business solvency. BBVA's voluntary acceptance of this code demonstrates its firm commitment to small companies and self-employed workers.

2. Prudential scope

The most significant measure taken in Europe in the area of prudential regulation has been the publication by the European Commission of the proposal to implement the completion of Basel III, which represents the final step in the regulatory reform that began in the wake of the financial crisis. The European Commission has proposed to the European Parliament and to the Council a number of modifications to banking regulations known as the "2021 banking package," to make banks in the European Union more resilient to possible future economic shocks, while contributing to recovery from the pandemic and the transition to climate neutrality. The main goal of the reform is to achieve a simpler, more comparable and risk-sensitive framework. To do so, it proposes amendments to the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD).

It also proposes new tools for the supervisors and a separate modification of the CRR referring to the area of resolution (known as the "Daisy Chain" proposal). With respect to sustainability, it introduces definitions of the different types of environmental, social and governance (ESG) risks, in line with the proposals of the European Banking Authority (EBA), advances the deadline from 2025 to 2023 for the EBA to deliver its report on the prudential treatment of these risks and provides measures to ensure that entities include them in their internal capital assessment strategies. The European Commission proposes that the new rules should begin to be applied starting on 1 January 2025. A debate has begun on this matter in the European Parliament and the Council. Moreover, June 2021 marked the completion of the implementation of the last major regulatory package, CRR II.

As regards the resolution framework in Europe, the reform of the Treaty on the European Stability Mechanism was signed, allowing it to act as a security mechanism for the Single Resolution Fund from the start of 2022. The European Banking Authority has developed various level 2 and 3 regulatory texts on recovery and resolution (the Bank Recovery and Resolution Directive, BRRD), while the Single Resolution Board (SRB) has published a number of guidance documents to improve the resolution of financial institutions.

In Spain, the Decree-Law 7/2021 was approved in April 2021, to transpose the capital (CRD V) and resolution (BRRD2) directives to Spanish law. Of note with respect to resolution is the inclusion of adjustments in the hierarchy of creditors in cases of liquidation and the calibration and subordination of the MREL requirement. In the prudential part changes have been included in the definition and requirements of Pillar II, in the macroprudential buffers and the system of remunerations.

With respect to the regulations related to the macroprudential regulation, in 2021 the Basel Committee on Banking Supervision has published its final report on the methodology for identifying Global Systemically Important Banks (G-SIBs), with the proposal that this methodology should be reviewed continuously instead of doing so every three years. In addition, the European Commission has published a public consultation on the macroprudential framework and also requested an opinion from the European Banking Authority, the European Systemic Risk Board and the European Central Bank on a future review of the framework.

3. Financial markets and conduct

The transitional period with respect to the exit of the United Kingdom from the European Union ended on December 31, 2020 This meant that the financial regulation of the European Union no longer applied to the United Kingdom starting on January 1. The United Kingdom began to apply its own framework, which so far is very similar to the European Union's financial regulation, but including temporary measures which delay the entry into force of certain new requirements until March 2022. Throughout 2021 it was clear that the United Kingdom wished to modify its financial regulation and separate it from its European equivalent. For example, proposals have already been published to modify its MiFID (Markets in Financial Instruments Directive) regulations, which will represent a significant deviation from the European Union. With respect to the European Union, the European Commission is maintaining its equivalence decision for the United Kingdom's central counterparties; although it ends in June 2022, it has already announced its intention of extending its validity.

The European regulators continue to support initiatives that boost the development of an integrated capital market in Europe. In this respect, the European Commission published a package of measures which complies with some of the commitments included in its Capital Markets Union (CMU) 2020 action plan, to improve access to company information and negotiation, thus helping companies to connect with their investors. The package includes four proposals: (I) a platform (unique access point), which provides investors with access to companies' financial and sustainability-related information; (II) a revision of the Regulation on European long-term investment funds; (III) a revision of the alternative investment fund managers directive (AIFMD); and (IV) the revision of the MiFIR to support a consolidated source of data on negotiation in all trading venues of the European Union to foster competition.

The Capital Markets Recovery Package was also approved in 2021, including the revision of MiFID II, the regulation of prospectuses and securitization rules.

With respect to the Packaged Retail and Insurance Based Investment Products (PRIIPs), the European Commission issued the draft regulation amending the document of basic data for unifying the requirements for investment products based on insurance with those required by the Directive on Undertakings for Collective Investment in Transferable Securities Directive (UCITS).

In the area of insurance regulations, the European Commission revised Solvency II. The changes proposed aimed to make it easier for insurance companies to increase their long-term investments, make progress in the Capital Markets Union and to channel funds to the European Green Pact, increasing the sector's resilience.

Finally, given the importance of mortgage-covered bonds in the Spanish market, an Omnibus Royal Decree-Law has been approved which includes the transposition of the European Covered Bonds Directive and Cross-Border Fund Distribution Directive. It is expected to enter into force in July 2022.

3.1. Reform of reference indices: work on an orderly transition

The Euribor modernization process was consolidated in the eurozone in 2021 and progress has been made in the transition to a risk-free reference (the euro short-term rate (€STR). The transition from the Libor (London Interbank Offered Rate) has meant a great challenge for markets and a coordinated effort for all the participants.

The official end of the publication of the EUR LIBOR and CHF LIBOR was confirmed on December 31, 2021, together with some USD LIBOR, GDP LIBOR and JPY LIBOR maturities. The most commonly used maturities in dollars will continue to be published until June 30, 2023 in order to facilitate the transition from current contracts, as will happen with the most commonly used GBP and JPY LIBOR maturities; the administrator of the index will continue to publish them under a new methodology indexed to the corresponding risk-free reference index. Moreover, the discontinuation of Eonia (the Euro Overnight Index Average) in 2022, has meant that the whole European market has been working in 2021 on the transition to the €STR.

This scenario means that the market must evolve toward alternative rates which, according to the recommendations of the Financial Stability Board (FSB) and other authorities, should be based on the risk-free rates identified: the SONIA (Sterling Overnight Index Average) as a replacement for the sterling Libor references, the SOFR (Secured Overnight Financing Rate) for the US Dollar Libor, the SARON (Swiss Average Rate Overnight) for the Swiss franc benchmark, the TONAR (Tokyo Overnight Average Rate) for the Yen Libor and the €STR for the EUR LIBOR.

In this context, the modification of the Benchmarks Regulation (BMR), which allows the European Commission to designate a legal replacement rate if an index with an impact on the financial stability of the EU is affected by certain trigger events: (I) its cessation; (II) lack of representativity; or (III) breach of certain authorization requirements of the BMR. In this respect, statutory fallbacks have been identified for EONIA and CHF LIBOR.

Unlike in the case of the Libor, the Euribor is not expected to disappear. However, the regulations require contracts to be strengthened by the inclusion of appropriate alternative rates. For this purpose, on May 11, 2021, the working group on euro risk-free rates published its final recommendation on Euribor fallback trigger events and €STR-based Euribor alternatives. The administrator of the Euribor, the European Money Markets Institute (EMMI) has publicly announced the Euribor V3 project for calculating the Euribor, which proposes centralizing the calculation of level 3 contributions.

In January 2022, the European Securities and Markets Authority (ESMA) replaced the Financial Services and Markets Authority (FSMA) in Belgium as the supervisor of the Euribor administrator.

3.2. Anti-money laundering and financing of terrorism

Anti-money laundering and combating the financing of terrorism (AML-CFT) is a subject which is acquiring increasing importance at the regulatory level, particularly in 2021 Europe. In July, the European Commission presented an ambitious legislative package with the aim of strengthening the current AML regulatory framework in the European Union. A new European AML authority will be created, which will supervise certain financial institutions directly, with indirect supervision of the rest. This authority will be created in 2023 and is expected to begin its activity in 2026. Another new point is that most AML questions will be governed by a Regulation directly applicable in the Member States, including a large part of the content of the current AML Directive. Finally, the legislative package incorporates the obligation to apply the reporting requirements of principal and beneficiary to transfers with crypto-currencies. These requirements until now were only applied to transfers of funds.

Of particular note in Spain is the publication of Royal Decree-Law 7/2021, which has transposed the fifth AML Directive in Spain.

For more information on how BBVA manages this issue, see the section "Prevention of Money-Laundering and Financing of Terrorism" in the "Compliance" chapter of this report.

4. Sustainable finance: consolidation of the regulation and in prudential supervision

The year 2021 was key for starting to integrate ESG criteria into decision-making and risk management in financial institutions and for the acceleration of the development of regulatory frameworks designed to promote sustainability.

At global level it is notable that the International Financial Reporting Standards (IFRS) Foundation has announced the creation of the International Sustainability Standards Board (ISSB) to create international standards for reporting sustainability information. In addition, the Basel Committee on Banking Supervision is developing management and supervisory principles for these risks, which have been drafted in the form of a consultation.

For its part, Europe has managed to position itself as a pioneering region in this area, giving rise to the adoption of important legislative measures such as the European Taxonomy of Sustainable Activities, the Sustainable Finance Disclosure Regulation (SFDR), and more recently, the proposal for the Corporate Sustainability Reporting Directive (CSRD). Moreover, the European Commission presented in July 2021 a new strategy for sustainable finance, establishing new initiatives to address climate change and other environmental challenges. These initiatives have been included in the proposal to implement Basel III presented by the European Commission in October 2021. In addition, preliminary reports have been published by the European Sustainable Finance Platform on: (I) the extension of the taxonomy to include the sustainability of intermediate economic activities, with the aim of supporting activities which allow the transition to a sustainable economy; and (II) a social taxonomy which, will complete the European taxonomy of green activities.

In September the ECB published the results of the first stress tests in which the climate risks in different activities have been measured. It is planning the first supervisory stress tests for banks based on climate risks for 2022. This proliferation of initiatives at international level makes it necessary to strengthen cooperation between authorities.

At national level, Law 7/2021, of 20 May, on climate change and energy transition, provides the regulatory and institutional framework designed to facilitate and guide the decarbonization of the Spanish economy by 2050, as established by the European Union and the commitment acquired through the signing of the Paris Agreement. This regulation establishes obligations both for the financial and business sector and for supervisors.

5. Regulation in the field of the digital transformation of the financial sector

In 2021, digitalization continued to be a priority for the authorities, which have made progress in the implementation of the strategies and action plans defined in 2020.

In 2020, the European commission published a strategy to shape the European Union's digital future. It is based on two fundamental pillars: strengthening the use of data, and developing and regulating artificial intelligence. With respect to the first pillar, in 2021 the European Commission launched a prior public consultation on the new regulatory initiative (Data Act), whose publication is planned in 2022. It will promote greater sharing and reuse of data between different agencies (companies and the public administration). With respect to the second pillar, in April the European Commission presented a new Artificial Intelligence (AI) package which aims to make Europe a leader in trustworthy AI at global level. The package includes the proposal for the first legislation on Artificial Intelligence in the world. It will introduce new requirements related to data governance, transparency and supervision for AI systems considered high risk, such as those used by banks to assess customer solvency or for some uses in the area of personnel management. In parallel, the European Banking Authority has published a report which aims to clarify the expectations of supervisors with respect to the use of machine learning in internal models for the calculation of regulatory capital.

Another relevant step taken in 2021 for the digitalization of the European economy was the announcement of the future creation of digital identity wallets. For this, the European Commission proposes modifying the European electronic identification and trust services (eIDAS) Regulation to establish that the Member States must issue digital identity wallets.

The entry of major digital platforms (the BigTechs) in the financial sector has been the subject of debate for financial authorities around the world in 2021. At global level, the Bank of International Settlements (BIS) has led a reflection on the need to introduce a holistic regulation for these new suppliers and reinforce coordination between authorities in different sectors and countries.

At European level, in February 2021 the Commission asked for technical advice from the European Supervisory Authorities on how to undertake the revision of the regulatory and supervisory framework of the financial sector to ensure it complies with the "same activity, same risk, same regulation" principle, among other things of the new financial services suppliers, the FinTechs and BigTechs. Once the European Supervisory Authorities complete their work, the Commission must decide in 2022 whether to undertake any legal action. At the same time, the European Commission has published a proposal to revise the Consumer Credit Directive in order to extend its scope of application to a broader set of loans and to ensure that credit providers are subject to additional obligations with respect to aspects such as the pre-contractual information provided to customers and the analysis of customer solvency.

In relation to the open banking regulation, the Financial Regulation Unit has proposed new rules to allow the development of a broad framework for sharing financial data in Colombia. In Turkey, the authorities have developed detailed rules for implementing the new open banking framework, as well as a proposed regulation for a new type of digital banks and a new "service banking" model.

The year 2021 has also been very significant for the payments sector. The objectives of the retail payments strategy published by the European Commission in 2020 include the promotion of instant payments as the "new normal." To this end, in 2021 the Commission published a number of consultations assessing the need for specific measures covering adherence to them, their functionalities, and fees payable. The ECB also published in April the retail payments strategy of the Eurosystem, which proposes pan-European payment solutions and the expansion of instant payments as key elements. At the end of this year, the Commission has begun the process of revising the PSD2.

Another area that attracted great attention from international bodies and national regulators in 2021 was that of crypto-assets. At global level, in June the Basel Committee on Banking Supervision published a preliminary proposal for the prudential treatment of bank exposure to crypto-assets, although it has already announced that more work is needed before a final standard is available, so it will continue to work on this new framework in 2022. At national level, the National Securities Market Commission (CNMV) issued a Circular to regulate the advertising of crypto-assets, which will enter into force at the start of next year. Also in 2021, the Central Bank of Turkey issued a new regulation in April prohibiting financial institutions from developing business models which involve the use of crypto-assets for payments.

As progress is made on the regulation of private virtual assets, central banks have intensified their analysis of central bank digital currencies (CBDCs). In July the ECB decided to launch an investigation phase of two years on the digital euro, a CBDC for retail payments which will supplement cash. In Turkey, the Central Bank announced in September an agreement with a number of technological suppliers to carry out the research, development and testing needed for a possible digital lira.

Finally, an important milestone this year in Spain has been the implementation of the regulatory sandbox[24] for the financial sector and the call for three editions of it.

[24] Complete test bench.

3.1.3 Results

The BBVA Group generated a net attributable profit, excluding non-recurring impacts, of €5,069m in 2021, representing a year-on-year increase of +85.7%. Including these impacts —namely €+280m from the results of discontinued operations and €-696m from the net cost related to the restructuring process[25]— the Group's net attributable profit amounted to €4,653m, which compares very positively with the €1,305m in the same period of the previous year, which included, in addition to the aforementioned results of discontinued operations, the capital gains of €304m from the implementation of the bancassurance agreement reached with Allianz.

In a complex environment, the Group's results in 2021 were influenced by the good performance in net interest income and net fees and commissions, i.e. recurring income from the banking business, which, together with the positive evolution of net trading income (NTI), offset the lower performance of the other operating income and expenses line. Thus, in constant terms, the gross income closed the year with a growth close to the double digit and higher than the growth in operating expenses, allowing an improvement in the efficiency ratio. Finally, in the lower part of the income statement, it is worth highlighting lower provisions for impairment on financial assets, which were particularly high in 2020 due to the outbreak of the pandemic.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2021				2020			
	4Q	**3Q**	**2Q**	**1Q**	**4Q**	**3Q**	**2Q**	**1Q**
Net interest income	**3,978**	**3,753**	**3,504**	**3,451**	**3,477**	**3,553**	**3,537**	**4,024**
Net fees and commissions	1,247	1,203	1,182	1,133	1,042	1,023	934	1,124
Net trading income	438	387	503	581	175	357	470	544
Other operating income and expenses	(187)	(13)	(85)	(11)	(147)	46	(80)	86
Gross income	**5,477**	**5,330**	**5,104**	**5,155**	**4,547**	**4,980**	**4,862**	**5,778**
Operating expenses	(2,554)	(2,378)	(2,294)	(2,304)	(2,264)	(2,163)	(2,182)	(2,477)
Personnel expenses	*(1,399)*	*(1,276)*	*(1,187)*	*(1,184)*	*(1,186)*	*(1,124)*	*(1,113)*	*(1,272)*
Other administrative expenses	*(850)*	*(788)*	*(800)*	*(812)*	*(766)*	*(725)*	*(754)*	*(860)*
Depreciation	*(305)*	*(314)*	*(307)*	*(309)*	*(312)*	*(315)*	*(316)*	*(345)*
Operating income	**2,923**	**2,953**	**2,810**	**2,850**	**2,282**	**2,817**	**2,679**	**3,300**
Impairment on financial assets not measured at fair value through profit or loss	(832)	(622)	(656)	(923)	(901)	(706)	(1,408)	(2,164)
Provisions or reversal of provisions	(40)	(50)	(23)	(151)	(139)	(88)	(219)	(300)
Other gains (losses)	7	19	(7)	(17)	(82)	(127)	(103)	(29)
Profit (loss) before tax	**2,058**	**2,299**	**2,124**	**1,759**	**1,160**	**1,895**	**950**	**807**
Income tax	(487)	(640)	(591)	(489)	(337)	(515)	(273)	(204)
Profit (loss) for the year	**1,571**	**1,659**	**1,533**	**1,270**	**823**	**1,380**	**678**	**603**
Non-controlling interests	(230)	(259)	(239)	(237)	(110)	(312)	(162)	(172)
Net attributable profit (loss) excluding non-recurring impacts	**1,341**	**1,400**	**1,294**	**1,033**	**713**	**1,068**	**516**	**431**
Profit (loss) after tax from discontinued operations (1)	—	—	103	177	302	73	120	(2,224)
Corporate operations (2)	—	—	—	—	304	—	—	—
Net cost related to the restructuring process	—	—	(696)	—	—	—	—	—
Net attributable profit (loss)	**1,341**	**1,400**	**701**	**1,210**	**1,320**	**1,141**	**636**	**(1,792)**
Adjusted earning (loss) per share (euros) (3)	**0.19**	**0.20**	**0.18**	**0.14**	**0.09**	**0.15**	**0.06**	**0.05**
Earning (loss) per share (euros) (3)(4)	**0.20**	**0.20**	**0.09**	**0.17**	**0.18**	**0.16**	**0.08**	**(0.29)**

General note: the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, are presented in a single line as "Profit (loss) after tax from discontinued operations".

(1) Profit (loss) after tax from discontinued operations includes the goodwill impairment in the United States registered in the first quarter of 2020 for an amount of €2,084m.

(2) Net capital gains from the sale to Allianz of the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

(3) Adjusted by additional Tier 1 instrument remuneration. In the fourth quarter of 2021, 112 million shares acquired within the share buyback program in 2021 were considered.

(4) In the fourth quarter of 2021, the estimated number of shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021, was included.

[25] With regard to the recording of costs related to the restructuring process, it should be noted that, solely for management purposes and for the purpose of the comments provided in this report, these are included in the income statement line "Net cost related to the restructuring process". The financial information is presented to the Group's Senior Management using this approach. This report includes a reconciliation between the management approach and the BBVA Group's Consolidated Financial Statements.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	2021	∆ %	∆ % at constant exchange rates	2020
Net interest income	**14,686**	**0.6**	**6.1**	**14,592**
Net fees and commissions	4,765	15.6	19.8	4,123
Net trading income	1,910	23.5	30.5	1,546
Other operating income and expenses	(295)	210.6	222.4	(95)
Gross income	**21,066**	**4.5**	**9.7**	**20,166**
Operating expenses	(9,530)	4.9	8.5	(9,088)
Personnel expenses	*(5,046)*	*7.5*	*11.5*	*(4,695)*
Other administrative expenses	*(3,249)*	*4.7*	*8.0*	*(3,105)*
Depreciation	*(1,234)*	*(4.2)*	*(1.2)*	*(1,288)*
Operating income	**11,536**	**4.1**	**10.8**	**11,079**
Impairment on financial assets not measured at fair value through profit or loss	(3,034)	(41.4)	(38.7)	(5,179)
Provisions or reversal of provisions	(264)	(64.6)	(62.8)	(746)
Other gains (losses)	2	n.s.	n.s.	(341)
Profit (loss) before tax	**8,240**	**71.2**	**86.8**	**4,813**
Income tax	(2,207)	66.2	80.0	(1,328)
Profit (loss) for the year	**6,034**	**73.1**	**89.3**	**3,485**
Non-controlling interests	(965)	27.7	62.6	(756)
Net attributable profit (loss) excluding non-recurring impacts	**5,069**	**85.7**	**95.5**	**2,729**
Profit (loss) after tax from discontinued operations [1]	280	n.s.	n.s.	(1,729)
Corporate operations (2)	—	—	—	304
Net cost related to the restructuring process	(696)	—	—	—
Net attributable profit (loss)	**4,653**	**256.6**	**n.s.**	**1,305**
Adjusted earning (loss) per share (euros) [3]	**0.71**			**0.35**
Earning (loss) per share (euros) [3][4]	**0.67**			**0.14**

General note: the results generated by BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, are presented in a single line as "Profit (loss) after tax from discontinued operations".

(1) Profit (loss) after tax from discontinued operations includes the goodwill impairment in the United States registered in the first quarter of 2020 for an amount of €2,084m.

(2) Net capital gains from the sale to Allianz of the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

(3) Adjusted by additional Tier 1 instrument remuneration. In 2021, 112 million shares acquired within the share buyback program in 2021 were considered.

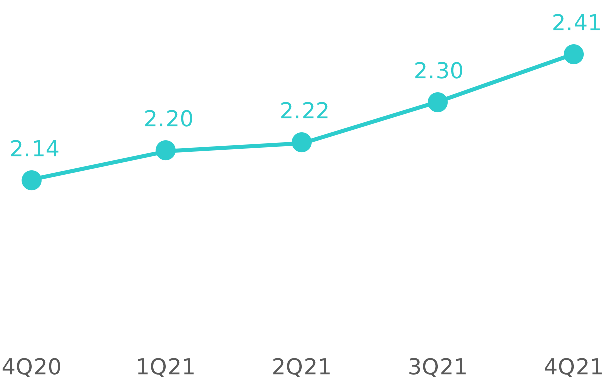
(4) In 2021, the estimated number of shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021, was included.

Unless expressly indicated otherwise, to better understand the changes under the main headings of the Group's income statement, the year-on-year rates of change provided below refer to constant exchange rates. In doing so, with regard to income statement amounts, average exchange rates for the year 2021 are used for each currency in the geographical areas where the Group operates for all periods.

Net interest income as of December 31, 2021 was higher than in the same period of the previous year (+6.1%), due to the good performance in South America, Mexico and Turkey, which offset the poor evolution in Spain and Rest of Business.

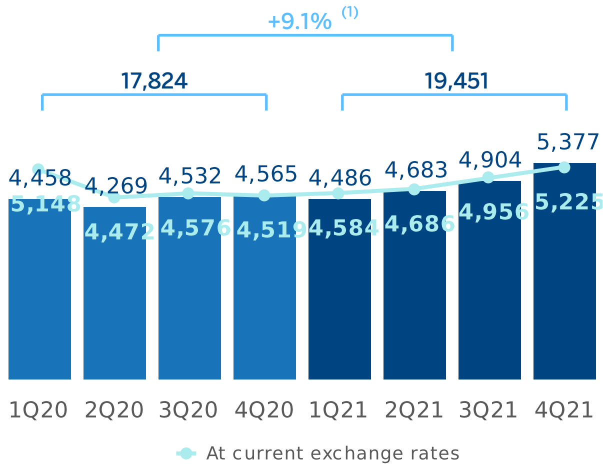
All areas, with the exception of Rest of Business, showed a positive performance in the net fees and commissions line compared to the accumulated amount reported in this line in 2020 (+19.8% in the Group), which is partly explained by the increase in activity and higher fees from payment systems, deposits and asset management in 2021, compared to 2020, which was affected by the removal of certain fees as a measure to support customers during the worst moments of the pandemic.

NET INTEREST INCOME/ATAS [(1)] (PERCENTAGE)



[(1)] Excluding BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

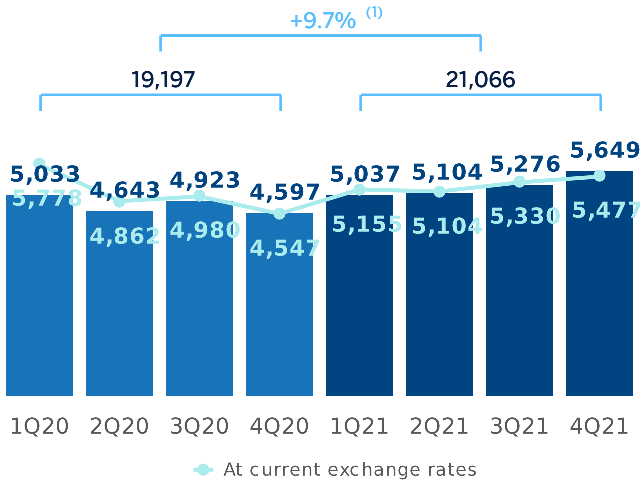


[(1)] At current exchange rates: +3.9%.

NTI showed a year-on-year increase of +30.5% as of December 31, 2021, mainly due to the good performance of the Global Markets unit in Turkey and Spain and the revaluations of the Group stakes in Funds & Investment Vehicles in tech companies and the industrial and financial portfolio.

The other operating income and expenses line accumulated a result of €-295m as of December 31, 2021, compared to €-95m in the same period last year, due to the higher negative adjustment for inflation in Argentina, the greater annual contribution of BBVA to the public deposit guarantee schemes, and the lower contribution of the insurance business in Spain due to the bancassurance operation with Allianz. This was partially offset by higher dividend income, better performance of the Group's investments in subsidiaries, joint ventures and associates and the greater contribution of the leasing business in Turkey.

GROSS INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

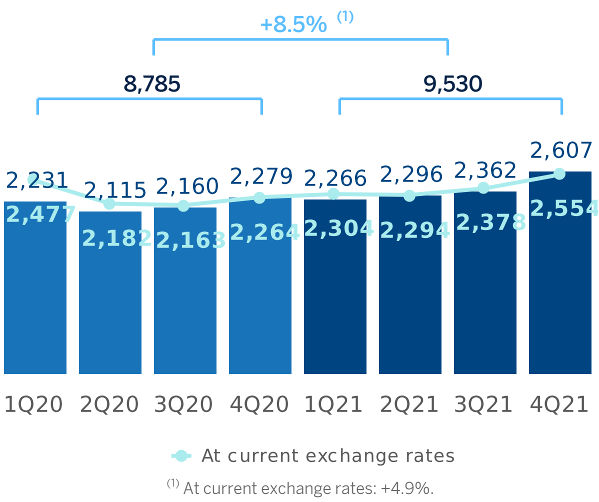


[(1)] At current exchange rates: +4.5%.

Operating expenses increased (+8.5% in year-on-year terms) in all areas except Spain, where they remained contained and Rest of Business, where they decreased. This growth is framed within an environment of activity recovery and high inflation.

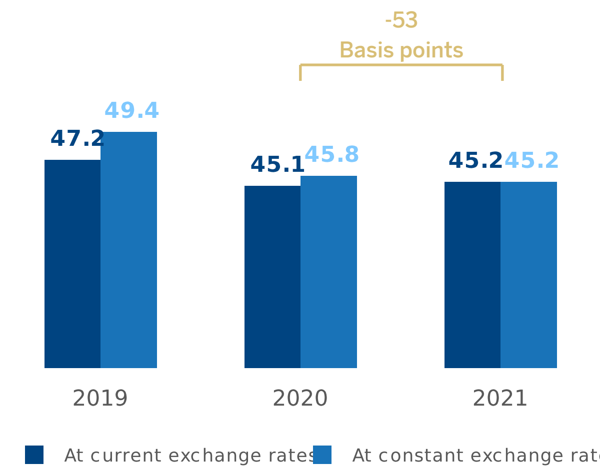
The efficiency ratio stood at 45.2% as of December 31, 2021, with an improvement of 53 basis points over the ratio at the end of December 2020.

OPERATING EXPENSES (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



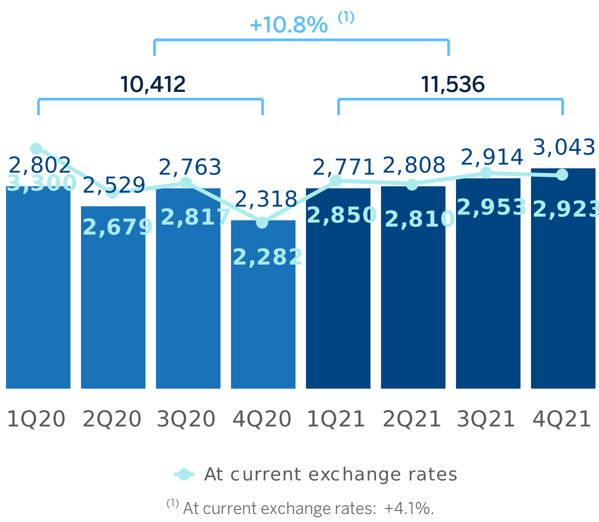
(1) At current exchange rates: +4.9%.

EFFICIENCY RATIO (PERCENTAGE)



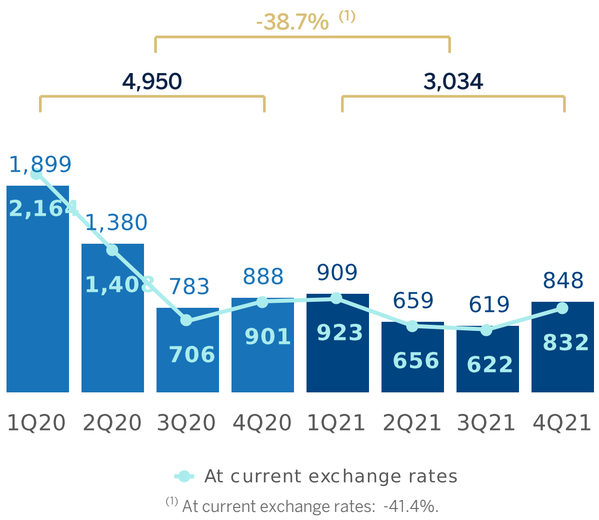
Impairment on financial assets not measured at fair value through profit or loss (impairment on financial assets) closed December, 2021 with a negative balance of €3,034m, significantly lower than the previous year (-38.7%) and with a decrease in all geographical areas mainly due to the negative impact of provisions for COVID-19 in 2020.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +4.1%.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: -41.4%.

The provisions or reversal of provisions line (hereinafter "provisions") closed with a negative balance of €-264m as of December 31, 2021, -62.8% below the figure accumulated in the same period of the last year, mainly due to provisions to meet potential claims in Spain and to increased provisions for special funds and contingent risk and commitments in Turkey, in both cases registered in 2020.

With regard to other gains (losses) line, it closed December 2021 with a positive balance of €2m, an improvement on the figure reached the previous year (€-341m), mainly due to the impairment of investments in subsidiaries, joint ventures and associates in 2020 registered at the Corporate Center.

As a result of the above, the BBVA Group generated a net attributable profit, excluding non-recurring impacts, of €5,069m in 2021, representing a year-on-year increase of +95.5%. These non-recurring impacts include:

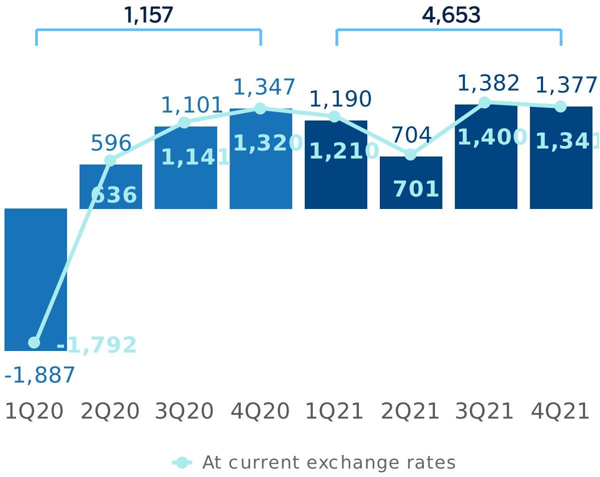
- The results generated by BBVA USA and the rest of the companies included in the sale agreement to PNC and classified as discontinued operations, which generated €280m in 2021 until the closing of the operation on 1 June, 2021, contrasting very positively with the negative result of €-1,729m accumulated between January and December 2020, which included the impact of the goodwill impairment in the United States. These results are recorded in the "Profit (loss) after tax from discontinued operations" line of the Corporate Center's income statement.

- The net cost related to the restructuring process of BBVA S.A. in Spain which amounted to €-696m, of which, before tax, €-754m correspond to the collective layoff and €-240m to branches closures. These costs are also recorded in the income statement of the Corporate Center.

Taking into account both impacts, the Group's net attributable profit between January and December 2021 amounted to €4,653m, which compares very positively with the €1,305m in the same period of the previous year, which included, in addition to the aforementioned results of discontinued operations, the capital gains of €304m from the implementation of the bancassurance agreement reached with Allianz.

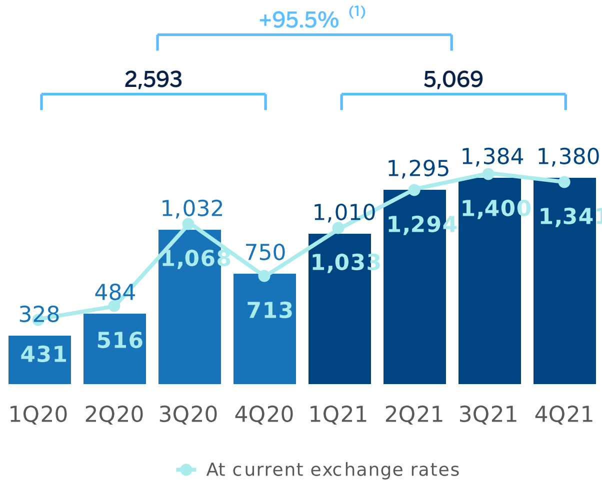
The cumulative net attributable profits, in millions of euros, at the close of December 2021 for the various business areas that comprise the Group were as follows: €1,581m in Spain, €2,568m in Mexico, €740m in Turkey, €491m in South America and €254m in Rest of Business.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



Note: year-on-year variation at current exchange rates of +256.6%.

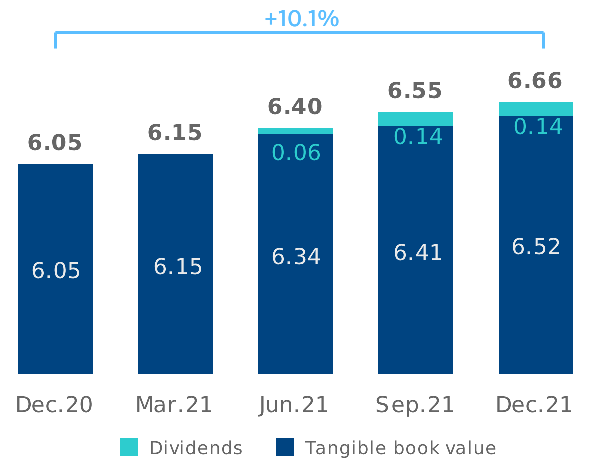
NET ATTRIBUTABLE PROFIT (LOSS) EXCLUDING NON-RECURRING IMPACTS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



General note: non-recurring impacts include: (I) BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 in all periods; (II) the net cost related to the restructuring process as of 2Q21; and (III) the net capital gain from the bancassurance operation with Allianz as of 4Q20.

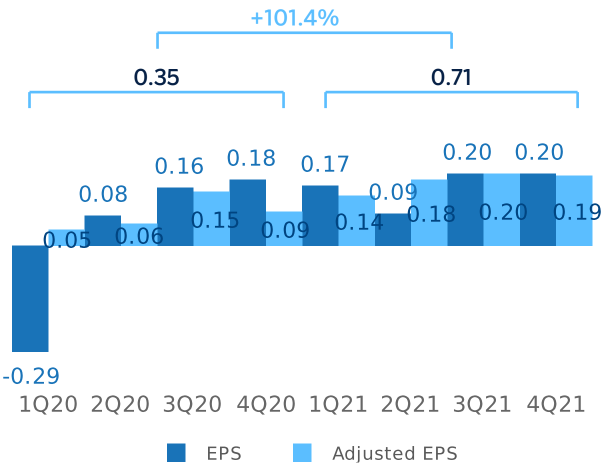
(1) At current exchange rates: +85.7%.

TANGIBLE BOOK VALUE PER SHARE (1)(2) AND DIVIDENDS (EUROS)



General note: replenishing dividends paid in the period.

ADJUSTED EARNING (LOSS) PER SHARE (1) AND EARNING (LOSS) PER SHARE (1)(2) (EUROS)



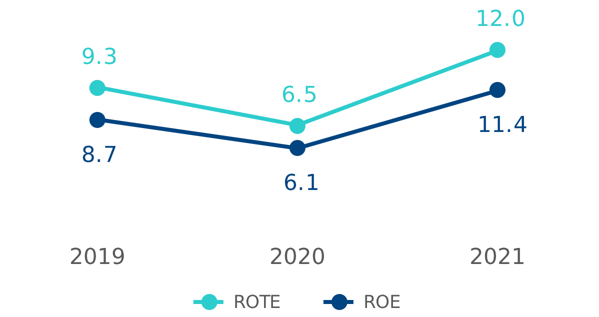
General note: adjusted earning per share excludes: (I) BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, in all periods; (II) the net cost related to the restructuring process as of 2Q21; and (III) the net capital gain from the bancassurance operation with Allianz as of 4Q20.

(1) For the adjusted earning (loss) per share and earning (loss) per share calculation the additional Tier 1 instrument remuneration is adjusted. In the fourth quarter of 2021, 112 million shares acquired within the share buyback program in 2021 were considered.

(2) In the fourth quarter of 2021, the estimated number of shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021, was considered.

The Group’s profitability indicators improved compared to the end of December 2020, supported by the favorable performance of results.

ROE AND ROTE [(1)] (PERCENTAGE)



[(1)] Excludes: (I) BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 in all periods; (II) the net cost related to the restructuring process in 2021; and (III) the net capital gain from the bancassurance operation with Allianz as of 2020.

ROA AND RORWA [(1)] (PERCENTAGE)

[(1)] Excludes: (I) BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021 in all periods; (II) the net cost related to the restructuring process in 2021; and (III) the net capital gain from the bancassurance operation with Allianz as of 2020.

3.1.4 Balance sheet and business activity

The most relevant aspects related to the evolution of the Group's balance sheet and business activity as of December 31, 2021 are summarized below:

- Loans and advances to customers recorded a growth of 2.5% compared to the end of December 2020, mainly due to the performance of business loans (+3.0%) and, to a lesser extent, loans to individuals (+1.5% in the year), which were strongly supported by consumer loans and credit cards (+5.7 overall).
- Customer funds showed an increase of 4.5% compared to the end of December 2020, thanks to the good performance of both deposits from customers (+2.1%) and off-balance sheet funds (+12.5%). The interest rate situation has led to customers' preference for demand deposits and mutual funds (which grew by 15.3% compared to the end of the previous year) over time deposits (which decreased by 27.2% compared to December 2020), mainly in Spain, Turkey and Rest of Business. This evolution was offset by growth in demand deposits (+10.1%) in the main geographical areas, with the exception of Turkey, and growth in mutual funds (+15.3%), with Spain, Mexico and, to a lesser extent, Turkey standing out.
- The year-on-year decrease in the BBVA Group's total assets (-9.7%) and liabilities (-10.2%) is explained by the sale of BBVA USA and the rest of the companies in the United States included in the agreement with PNC, which materialized on June 1, 2021.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

	31-12-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	67,799	3.5	65,520
Financial assets held for trading	123,493	16.6	105,878
Non-trading financial assets mandatorily at fair value through profit or loss	6,086	17.1	5,198
Financial assets designated at fair value through profit or loss	1,092	(2.2)	1,117
Financial assets at fair value through accumulated other comprehensive income	60,421	(13.0)	69,440
Financial assets at amortized cost	372,676	1.4	367,668
Loans and advances to central banks and credit institutions	*18,957*	*(8.8)*	*20,784*
Loans and advances to customers	*318,939*	*2.5*	*311,147*
Debt securities	*34,781*	*(2.7)*	*35,737*
Investments in subsidiaries, joint ventures and associates	900	(37.3)	1,437
Tangible assets	7,298	(6.7)	7,823
Intangible assets	2,197	(6.3)	2,345
Other assets	20,923	(80.5)	107,373
Total assets	**662,885**	**(9.7)**	**733,797**
Financial liabilities held for trading	91,135	8.4	84,109
Other financial liabilities designated at fair value through profit or loss	9,683	(3.6)	10,050
Financial liabilities at amortized cost	487,893	(0.6)	490,606
Deposits from central banks and credit institutions	*67,185*	*(7.7)*	*72,806*
Deposits from customers	*349,761*	*2.1*	*342,661*
Debt certificates	*55,763*	*(9.7)*	*61,780*
Other financial liabilities	*15,183*	*13.7*	*13,358*
Liabilities under insurance and reinsurance contracts	10,865	9.2	9,951
Other liabilities	14,549	(83.7)	89,061
Total liabilities	**614,125**	**(10.2)**	**683,777**
Non-controlling interests	**4,853**	(11.3)	5,471
Accumulated other comprehensive income	(16,476)	14.8	(14,356)
Shareholders' funds	60,383	2.5	58,904
Total equity	**48,760**	**(2.5)**	**50,020**
Total liabilities and equity	**662,885**	**(9.7)**	**733,797**
Memorandum item:			
Guarantees given	45,956	6.1	43,294

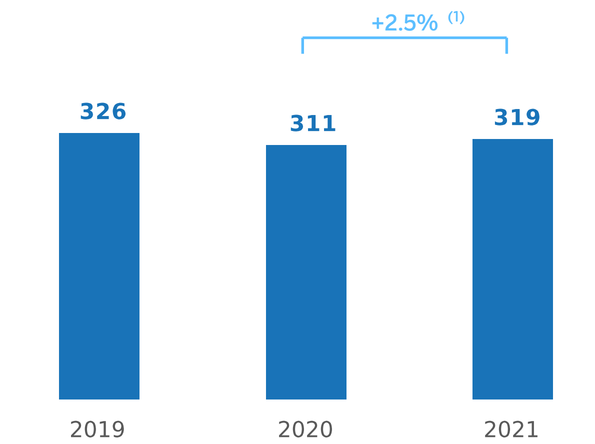
General note: in 2020, the "Other assets" and "Other liabilities" figures mainly include the non-current assets and liabilities held for sale related to BBVA USA and the rest of the companies sold to PNC on June 1, 2021.

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)	31-12-21	Δ %	31-12-20
Public sector	**19,656**	**1.5**	**19,363**
Individuals	**146,433**	**1.5**	**144,304**
Mortgages	*91,324*	*(0.1)*	*91,428*
Consumer	*31,026*	*4.9*	*29,571*
Credit cards	*12,936*	*7.7*	*12,016*
Other loans	*11,146*	*(1.3)*	*11,289*
Business	**149,309**	**3.0**	**144,912**
Non-performing loans	**14,657**	**(0.1)**	**14,672**
Loans and advances to customers (gross)	**330,055**	**2.1**	**323,252**
Allowances [1]	(11,116)	(8.2)	(12,105)
Loans and advances to customers	**318,939**	**2.5**	**311,147**

[1] Allowances include the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). As of December 31, 2021 and December 31, 2020 the remaining amount was €266m and €363m, respectively.

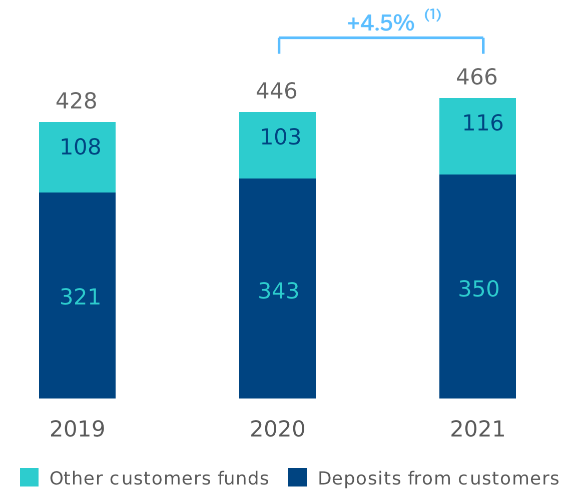
The evolution of loans and advances to customers and the customer funds of the BBVA Group for the years 2019, 2020 and 2021 is shown below. For a more homogeneous comparison, the balances of the entire series exclude BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

LOANS AND ADVANCES TO CUSTOMERS (BILLIONS OF EUROS)



[1] At constant exchange rates: +7.0%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



[1] At constant exchange rates: +7.7%.

CUSTOMER FUNDS (MILLIONS OF EUROS)	31-12-21	Δ %	31-12-20
Deposits from customers	**349,761**	**2.1**	**342,661**
Demand deposits	*293,015*	*10.1*	*266,250*
Time deposits	*55,059*	*(27.2)*	*75,610*
Other deposits	*1,687*	*110.6*	*801*
Other customer funds	**115,767**	**12.5**	**102,947**
Mutual funds and investment companies	*74,810*	*15.3*	*64,869*
Pension funds	*38,763*	*7.0*	*36,215*
Other off-balance sheet funds	*2,195*	*17.8*	*1,863*
Total customer funds	**465,529**	**4.5**	**445,608**

3.1.5 Solvency

Capital base

The Group's CET1 Fully-loaded ratio stood at 12.75% as of December 31, 2021, which represents a decrease in in the quarter (-173 basis points), although it maintains a large management buffer on the Group's capital requirements and is above the management target, which is to be within the range of 11.5-12% CET1. This CET1 level includes the deduction of the total amount of the share buyback program authorized by the supervisor, amounting to maximum €3.500m and representing an impact of approximately -130 basis points. For more information on the Group' share buyback program, please see "Other highlights" at the end of the "Highlights" section.

In addition to the above-mentioned effect, during the fourth quarter of 2021, the recurrent income generation net of dividends and remunerations of AT1 instruments contributed 18 basis points. On the other hand, the growth of risk-weighted assets (RWAs) had an impact of -49 basis points, which is mostly explained by the growth of activity in the quarter and additionally, to a lesser extent, by the update of the RWAs for operational risk (which is carried out annually, and which is explained by the increase in the level of revenues compared to previous periods) and by the growth of the RWAs that are specific to market activity and are exposed to higher volatility. Finally, the other items affecting the CET1, most notably the effect of exchange rate evolution and portfolio valuation, resulted in a reduction of 12 basis points.

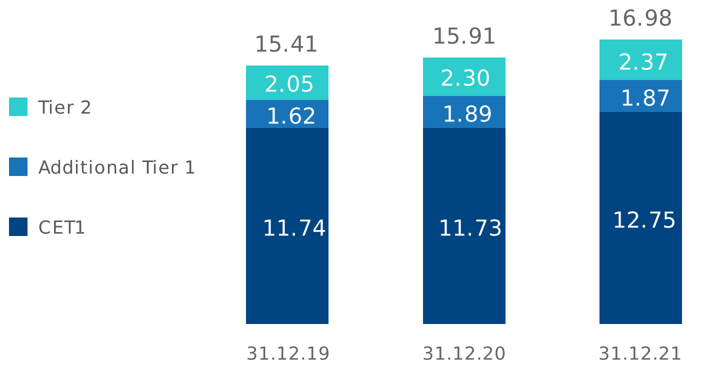
The consolidated fully-loaded additional Tier 1 capital (AT1) stood at 1.87% as of December 31, 2021, which results in a decrease of -4 basis points compared to the previous quarter.

The consolidated fully-loaded Tier 2 ratio as of December 31, 2021 stood at 2.37%, a decrease of -11 basis points in the quarter. The total fully-loaded capital adequacy ratio stands at 16.98%.

Following the latest SREP (Supervisory Review and Evaluation Process) decision, received on February, 2022 and applicable as from March 1, 2022, the ECB has informed the Group that the Pillar 2 requirement would remain at 1.5% (of which 0.84% must be CET1 at least). Therefore, BBVA must maintain a CET1 capital ratio of 8.60% and a total capital ratio of 12.76% at the consolidated level.

The phased-in CET1 ratio, on consolidated terms, stood at 12.98% as of December 31, 2021, considering the transitory effect of the IFRS 9 standard. AT1 reached 1.86% and Tier 2 reached 2.40%, resulting in a total capital adequacy ratio of 17.24%.

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	31-12-21 (1) (2)	31-12-20	31-12-19	31-12-21 (1) (2)	31-12-20	31-12-19
Common Equity Tier 1 (CET 1)	39,937	42,931	43,653	39,172	41,345	42,856
Tier 1	45,674	49,597	49,701	44,910	48,012	48,775
Tier 2	7,383	8,547	8,304	7,283	8,101	7,464
Total Capital (Tier 1 + Tier 2)	**53,057**	**58,145**	**58,005**	**52,193**	**56,112**	**56,240**
Risk-weighted assets	**307,791**	**353,273**	**364,448**	**307,331**	**352,622**	**364,942**
CET1 (%)	12.98	12.15	11.98	12.75	11.73	11.74
Tier 1 (%)	14.84	14.04	13.64	14.61	13.62	13.37
Tier 2 (%)	2.40	2.42	2.28	2.37	2.30	2.05
Total capital ratio (%)	**17.24**	**16.46**	**15.92**	**16.98**	**15.91**	**15.41**

(1) As of December 31, 2021, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873).

(2) Preliminary data.

With regard to MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA must reach, by January 1, 2022, an amount of own funds and eligible liabilities equal to 24.78%[26] of the total RWAs of its resolution group, at a sub-consolidated[27] level (hereinafter, the "MREL in RWAs"). This is currently the most restrictive requirement for BBVA. Given the structure of own funds and admissible liabilities of the resolution group, as of December 31, 2021, the MREL ratio in RWAs stands at 28.34%[28 29], complying with the aforementioned MREL requirement.

With the aim of reinforcing compliance with these requirements, in March 2021, BBVA carried out an issue of a senior preferred debt for an amount of €1 billion, with a maturity of 6 years and an option for early redemption after five years. In September 2021, BBVA issued a €1 billion a floating rate senior preferred social bond, maturing in 2 years. These issuances have mitigated the loss of eligibility of three issuances, two senior preferred issues and one senior non-preferred issue issued during 2017 and reaching their maturity in 2021. In this regard, in January 2022, a senior non-preferred bond for €1 billion has been issued, with a maturity of 7 years and an option for early redemption in the sixth year, with a coupon of 0.875%, although it is not taken into account for the December 2021 ratios.

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 2020, BBVA, at consolidated level, was again identified as an Other Systemically Important Institution (hereinafter referred to as O-SII) and after the update of the list of institutions in November 2021, BBVA remains identified as O-SII. Following the designation in November 2020, the Bank of Spain imposed on BBVA the obligation to maintain Common Equity Tier 1 items as a buffer for O-SII during the financial year 2021 for an amount equal to 0,75% of the total amount of its risk exposure on a consolidated basis. Similarly, following the mandatory annual review in July 2021 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 2022.

Lastly, the Group's leverage ratio stood at 6.7% fully-loaded (6.8% phased-in)[30] as of December 31, 2021. These figures include the effect of the temporary exclusion of certain positions with the central banks of the different geographical areas where the Group operates, foreseen in the “CRR-Quick fix”.

Ratings

During 2021, BBVA’s rating has continued to show its strength and all agencies have maintained their rating in the A category. Last December, S&P upgraded BBVA’s rating one notch to A from A-, considering that a sizable enough cushion of bail-inable instruments has been issued, and following a methodological update that recognizes the strength of the Multiple Point of Entry (MPE) resolution strategy. The outlook changed to negative from stable, now conditioned by the rating given by S&P to the Spanish sovereign (also A, with negative outlook). The following table shows the credit ratings and outlook given 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	Negative

(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.

26 Pursuant to the new applicable regulation, the MREL in RWAs and the subordination requirement in RWAs do not include the combined requirement of applicable capital buffers.

27 In accordance with the resolution strategy MPE (“Multiple Point of Entry”) of the BBVA Group, established by the SRB, the resolution group is made up of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries that belong to the same European resolution group. As of December 31, 2019, the total RWAs of the resolution group amounted to €204,218m and the total exposure considered for the purpose of calculating the leverage ratio amounted to €422,376m.

28 Own resources and eligible liabilities to meet, both, MREL and the combined capital buffer requirement applicable.

29 As of December 31, 2021, the MREL ratio in Leverage Ratio stands at 11.35% and the subordination ratios in terms of RWAs and in terms of exposure of the leverage ratio, stand at 24.65% and 9.87%, respectively, being preliminary data.

30 The Group’s leverage ratio is provisional at the date of release of this report.

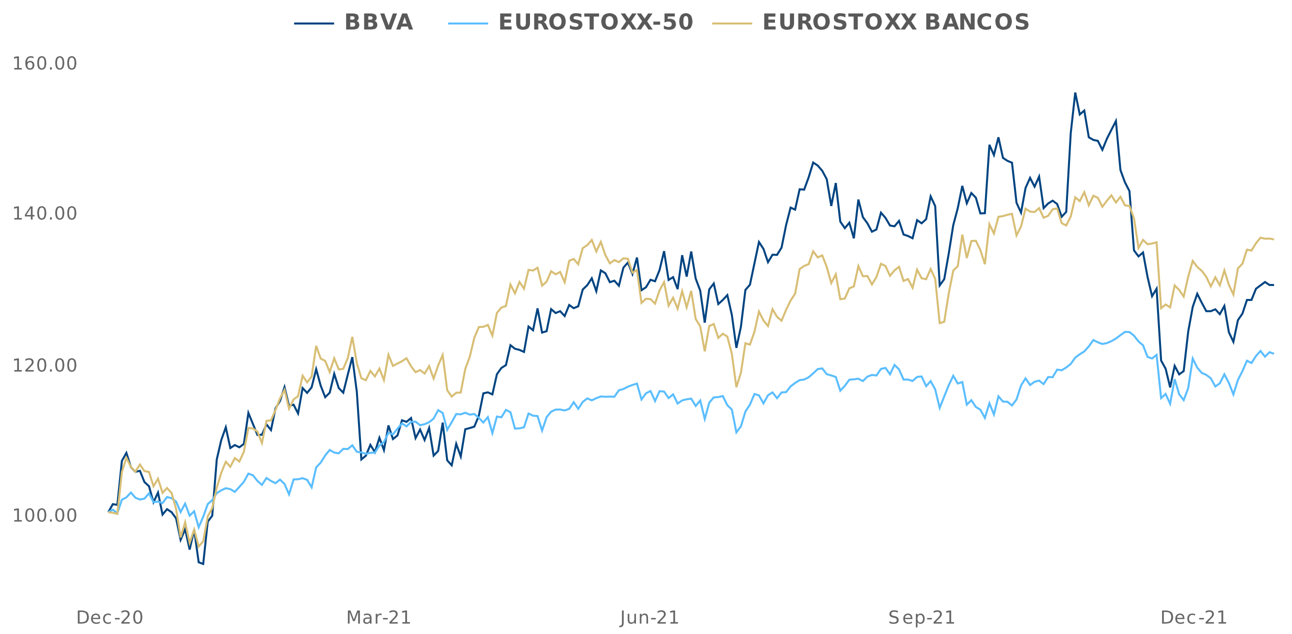
3.1.6 The BBVA share

The main stock market indexes showed a positive performance in 2021. In Europe, the Stoxx Europe 600 index increased by 22.2% compared to the end of December of the previous year, and in Spain the Ibex 35 increased by 7.9% in the same period, showing a worse relative performance. In the United States, the S&P 500 index also increased by 26.9%.

With regard to the banking sector indexes, their performance in 2021 was better than the general indexes in Europe. The Stoxx Europe 600 Banks index, which includes the banks in the United Kingdom, and the Euro Stoxx Banks, an index of Eurozone banks, increased by 34.0% and 36.2% respectively, meanwhile in The United States, the S&P Regional Banks sectoral index increased by 36.6% in the period.

For its part, the BBVA share price increased by 30.1% in the year, slightly below its sector index, closing December 2021 at €5.25.

BBVA SHARE EVOLUTION
Compared with European indexes (Base index 100=31-12-20)



The BBVA share and share performance ratios

THE BBVA SHARE AND SHARE PERFORMANCE RATIOS

	31-12-21	31-12-20
Number of shareholders	826,835	879,226
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	22,901,565	34,180,978
Daily average trading (millions of euros)	118	108
Maximum price (euros)	6.29	5.34
Minimum price (euros)	3.74	2.13
Closing price (euros)	5.25	4.04
Book value per share (euros) (1)	6.86	6.70
Tangible book value per share (euros) (1)	6.52	6.05
Market capitalization (millions of euros)	35,006	26,905
Yield (dividend/price; %) (2)	2.6	4.0

(1) Considering 112 million shares acquired within the share buyback program between November 22 and December 31 of 2021 and the estimated shares pending from buyback program as of December 31, 2021 of the first tranche approved by the Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021.

(2) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

Regarding shareholder remuneration, after the lifting of the recommendations by the European Central Bank, on September 30, 2021, BBVA informed that the BBVA's Board of Directors approved the payment in cash of €0.08 gross per share, as gross interim dividend against 2021 results, which was paid on October 12, 2021. This dividend is already considered within the capital ratios of the Group. In addition, on February 3, 2022 it was announced that a cash distribution in the amount of €0.23 gross per share was expected to be submitted to the relevant governing bodies for consideration. If approved, the total cash distributions would amount to €0.31 gross per share. Therefore, the total shareholder remuneration will be the result of the cash payments discussed and the share buyback programs.

On October 26, 2021, BBVA announced that it had received the required authorization from the European Central Bank for the buyback of up to 10% of its share capital for a maximum amount of 3,500 million euros, in one or several tranches and over a maximum period of 12 months (hereinafter, the Authorization).

Once the Authorization has been obtained, and in exercise of the authority delegated to it by the Annual Shareholders' Meeting of BBVA held on March 16, 2018, the Board of Directors of BBVA, in its meeting held on October 28, 2021, has agreed to carry out a program scheme for the buyback of own shares in accordance with the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052, of March 8, 2016, which will be executed in several tranches, for a maximum amount of up to 3,500 million euros, aimed at reducing BBVA's share capital (the Program Scheme), notwithstanding the possibility to suspend or early terminate the Program Scheme upon the occurrence of circumstances that make it advisable.

Likewise, the Board of Directors has agreed, within the scope of the Program Scheme, to carry out a first tranche of the share buyback program and the terms and conditions thereof. With regard to this first tranche, BBVA announced on November 19, 2021, that it would be implemented externally through a lead manager (J. P. Morgan AG) and would have a maximum amount of €1.500m, with a maximum number of shares to be acquired equal to 637,770,016 own shares, representing approximately 9.6% of BBVA's current share capital, and that the opening of the first tranche would take place on November 22, 2021 and shall end not earlier than February 16, 2022, and not later than April 5, 2022, and, in any event, when the maximum monetary amount is reached or the maximum number of shares is acquired within that period[31]. With regard to the operations carried out in the context of the implementation of the first tranche, between November 22 and December 31, J. P. Morgan AG, as lead manager, acquired 112,254,236 BBVA shares. Between January 1 and February 3, 2022, it acquired 65.272.189 BBVA shares.

In addition, BBVA announced on February 3, 2022 that BBVA Board of Directors has agreed, within the framework program, to carry out a second program for the buyback of shares aimed at reducing BBVA's share capital, for a maximum amount of 2,000 million Euros 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 this date) the number of own shares finally acquired in execution of the first tranche. The implementation of the second tranche, which will also be executed externally, through a lead-manager, will begin after the end of the implementation of the first tranche and shall end no later than October 15, 2022. BBVA will carry out a separate communication prior to the commencement of the execution of the Second Tranche with its specific terms and conditions.

Regarding the Group's shareholder remuneration policy, on November 18, 2021, the Group announced that the Board of Directors of BBVA has agreed to modify the Group's shareholder distribution policy in force at that time, establishing a new policy consisting in an annual distribution of between 40% and 50% of the consolidated ordinary profit of each year (excluding amounts and items of an extraordinary nature included in the consolidated profit and loss account), compared to the previous policy of distributing between 35% and 40%.

This policy will 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 allocation of the year-end profit has been approved, expected to take place in April of each year), with the possibility of combining cash distributions with share buybacks (the execution of the shares buyback program is considered to be an extraordinary shareholder distribution and is therefore not included in the scope of the policy), all subject to the relevant authorizations and approvals applicable at any given time.

As of December 31, 2021, the number of BBVA shares was 6,667.89 million, and the number of shareholders reached 826,835.00. By type of investor, 62.59% of the capital is held by institutional investors and the remaining 37.41% by retail shareholders.

SHAREHOLDER STRUCTURE (31-12-2021)

	Shareholders		Shares issued	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	341,510	41.3	63,972,992	1.0
501 to 5,000	381,597	46.2	671,795,023	10.1
5,001 to 10,000	55,785	6.7	392,338,799	5.9
10,001 to 50,000	43,159	5.2	824,841,257	12.4
50,001 to 100,000	3,092	0.4	210,665,277	3.2
100,001 to 500,000	1,410	0.2	256,532,572	3.8
More than 500,001	282	0.0	4,247,740,660	63.7
Total	**826,835**	**100.0**	**6,667,886,580**	**100.0**

BBVA's shares are included in the main stock market indexes, among them the Euro Stoxx 50, to which BBVA returned on September 20, only one year after its exit, due to the good performance of the share. This milestone -exit and re-enter the following year- has not been achieved by any company at least in the last decade. In addition to these indexes, BBVA is part of the main sustainability indexes, such as the Dow Jones Sustainability Index (DJSI), the FTSE4Good and the MSCI ESG indexes. For more information on this subject, please refer to the "Sustainability indexes" section of this report.

At the closing of December 2021, the weighting of BBVA shares in the Ibex 35, Euro Stoxx 50 and the Stoxx Europe 600 index, were 7.33%, 1.08% and 0.32%, respectively. They are also included in several sector indexes, including Stoxx Europe 600 Banks, which includes the United Kingdom, with a weighting of 4.45% and the Euro Stoxx Banks index for the eurozone with a weighting of 7.48%.

[31] However, BBVA reserves the right to temporarily suspend the First Tranche or to early terminate it in the event of any circumstance that so advises or requires.

3.2 Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios.

The structure of the business areas reported by the BBVA Group as of December 31, 2021, differs from the one presented at the end of 2020, mainly as a consequence of the removal of the United States as a business area, derived from the sale agreement reached with PNC and closed on June 1, 2021, once the pertinent mandatory authorizations were obtained. BBVA continues to have a presence in the United States, mainly through the wholesale business which the Group develops in the New York branch and its broker dealer BBVA Securities Inc.

The composition of BBVA Group business areas is summarized below:

- Spain mainly includes the banking and insurance businesses that the Group carries out in this country, including the proportional share of the results of the new company created from the bancassurance agreement reached with Allianz at the end of 2020.
- Mexico includes banking and insurance businesses in this country, as well as the activity that BBVA Mexico carries out through its branch in Houston.
- Turkey reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

  With regard to this business area, on November 18, 2021, BBVA Group submitted to the Capital Markets Board of Turkey the application for authorization of the voluntary takeover bid (hereinafter referred to as the Voluntary Takeover Bid) for the entire share capital of Garanti BBVA not already owned, once all relevant regulatory approvals have been obtained. Given the deadlines and the need to receive approval from all relevant regulatory bodies, BBVA estimates that the closing of the Voluntary Takeover Bid will take place in the first quarter of 2022.
- South America mainly includes banking and insurance activity conducted in the region. The information for this business area includes BBVA Paraguay data for the results, activity, balances and relevant business indicators for 2020 and is not included in 2021 as the sale agreement was reached in January 2021.
- Rest of Business mainly incorporates the wholesale activity carried out in Europe (excluding Spain) and in the United States, as well as the banking business developed through BBVA’s 5 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 including the venture capital fund Propel Venture Partners; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets as well as such portfolios and assets' funding. Additionally, the results obtained by BBVA USA and the rest of the companies included in the sale agreement to PNC until the closing of the transaction on June 1, 2021, are presented in a single line of the income statements called “Profit (loss) after taxes from discontinued operations”. Finally, the costs related to the BBVA S.A. restructuring process in Spain, being considered such process a strategic decision, are included in this aggregate and are recorded in the line "Net cost related to the restructuring process".

In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, Corporate & Investment Banking (CIB), in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due to the important features of the type of customers served, products offered and risks assumed.

The information by business areas is based on units at the lowest level and/or companies that make up the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity. The figures corresponding to 2020 have been elaborated following the same criteria and the same structure of the areas previously explained, so that the year-on-year comparisons are homogeneous.

Regarding the shareholders' funds allocation, in the business areas, a capital allocation system based on the consumed regulatory capital is used.

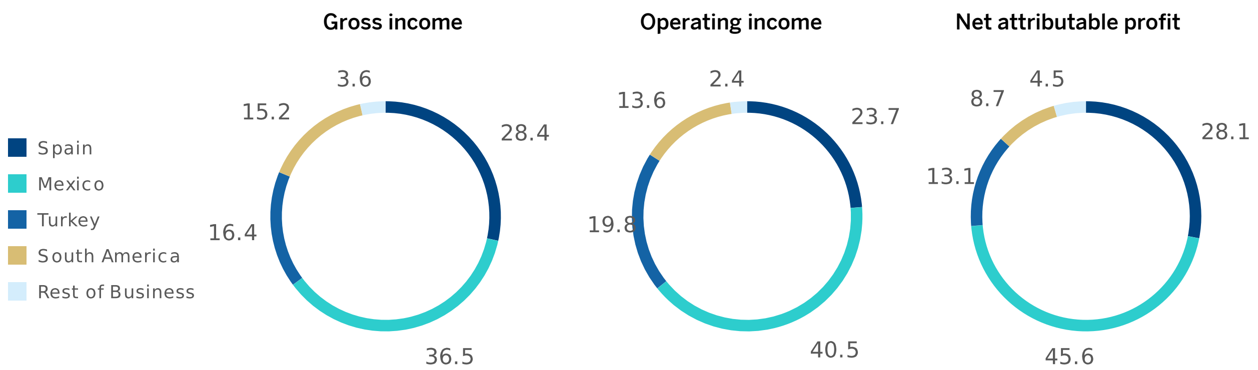
Finally it should be noted that, as usual, in the case of the different business areas in America, Turkey, Rest of Business and CIB, apart from including the year-on-year variations applying current exchange rates, the ones at constant exchange rates are also given.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas						
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of businesses	∑ Business areas	Corporate Center
2021								
Net interest income	14,686	3,502	5,836	2,370	2,859	281	14,849	(163)
Gross income	21,066	5,925	7,603	3,422	3,162	741	20,854	212
Operating income	11,536	2,895	4,944	2,414	1,661	291	12,204	(668)
Profit (loss) before tax	8,240	2,122	3,528	1,953	961	314	8,878	(638)
Net attributable profit (loss) excluding non-recurring impacts [1]	5,069	1,581	2,568	740	491	254	5,633	(564)
2020								
Net interest income	14,592	3,566	5,415	2,783	2,701	291	14,756	(164)
Gross income	20,166	5,567	7,025	3,573	3,225	839	20,229	(63)
Operating income	11,079	2,528	4,680	2,544	1,853	372	11,977	(898)
Profit (loss) before tax	4,813	823	2,475	1,522	896	280	5,996	(1,183)
Net attributable profit (loss) excluding non-recurring impacts [1]	2,729	652	1,761	563	446	222	3,644	(915)

[1] Non-recurring impacts include: (I) profit (loss) after tax from discontinued operations in 2021 and 2020 ; (II) the net costs related to the restructuring process in 2021; and (III) the net capital gain from the bancassurance operation with Allianz in 2020.

GROSS INCOME [1], OPERATING INCOME [1] AND NET ATTRIBUTABLE PROFIT [1] BREAKDOWN (PERCENTAGE. 2021)



[1] Excludes the Corporate Center.

MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

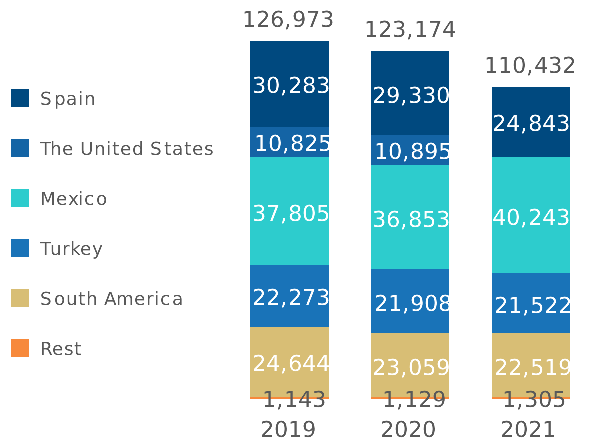
		Business areas								
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of businesses	∑ Business areas	Corporate Center	Deletions	NCA&L [1]
31-12-21										
Loans and advances to customers	318,939	171,097	55,809	31,414	34,608	26,949	319,877	1,006	(1,945)	—
Deposits from customers	349,761	206,663	64,003	38,341	36,340	6,266	351,613	175	(2,027)	—
Off-balance sheet funds	115,767	70,072	26,445	3,895	14,756	597	115,765	2	—	—
Total assets/liabilities and equity	662,885	413,477	118,106	56,245	56,124	40,314	684,266	30,835	(52,216)	—
RWAs	307,791	113,825	64,573	49,718	43,334	29,252	300,703	7,088	—	—
31-12-20										
Loans and advances to customers	311,147	167,998	50,002	37,295	33,615	24,015	312,926	505	(1,299)	(985)
Deposits from customers	342,661	206,428	54,052	39,353	36,874	9,333	346,040	363	(2,449)	(1,293)
Off-balance sheet funds	102,947	62,707	22,524	3,425	13,722	569	102,947	—	—	—
Total assets/liabilities and equity	733,797	408,030	110,236	59,585	55,436	35,172	668,460	105,416	(40,080)	—
RWAs	353,273	104,388	60,825	53,021	39,804	24,331	282,370	70,903	—	—

[1] Non-current assets and liabilities held for sale (NCA&L) from BBVA Paraguay as of 31-12-20.

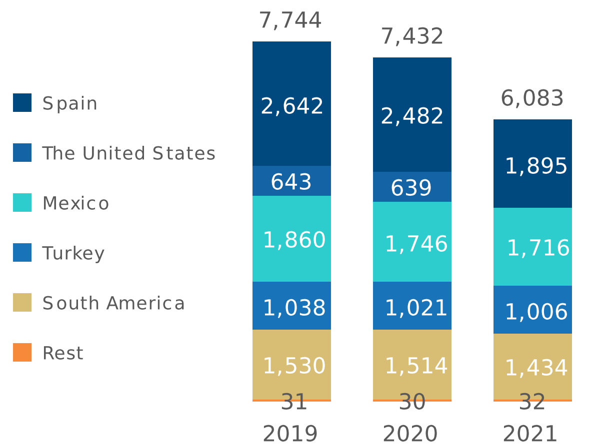
BBVA Group, as of December 31, 2021, had 110,432 employees, 6,083 branches and 29,148 ATMs, a decrease of 10.3%, 18.2% and 6.0%, respectively, compared to the end of December 2020. The decrease was mainly due to the removal of BBVA USA and the rest of the companies in the United States following its sale on June 1, 2021, as well as the beginning of the employee departures and branch closures as a result of the restructuring plan of BBVA S.A. in Spain.

With regard to the number of employees in Mexico, there has been an increase, explained by the internalization of employees whose tasks are directly linked to the Bank's activity. This internalization, carried out in July 2021, is part of the labor reform in the country.

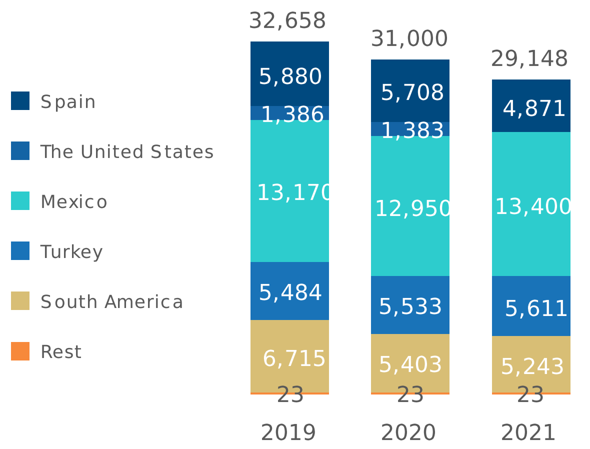
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

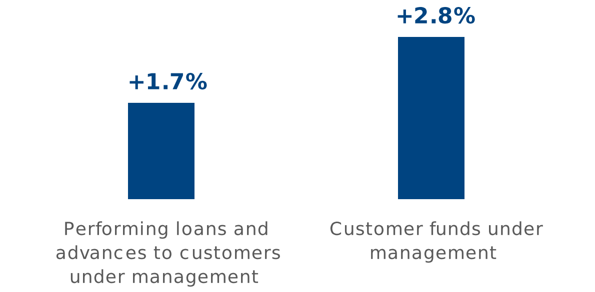


3.2.1 Spain

Highlights

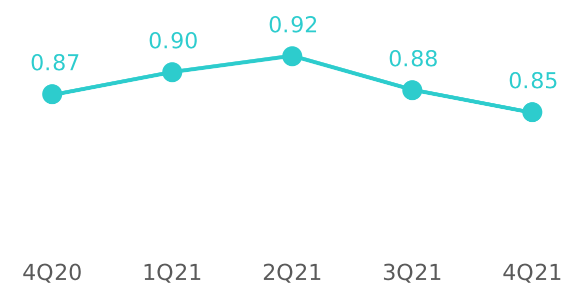
- **Growth in lending activity throughout the year**
- **Favorable performance of recurring income, driven by commissions**
- **Improvement in the efficiency ratio and outstanding gross income growth**
- **Decrease in impairment on financial assets, compared to a 2020 that was strongly affected by the pandemic, resulting in a lower cost of risk**

BUSINESS ACTIVITY [1] (VARIATION COMPARED TO 31-12-20)

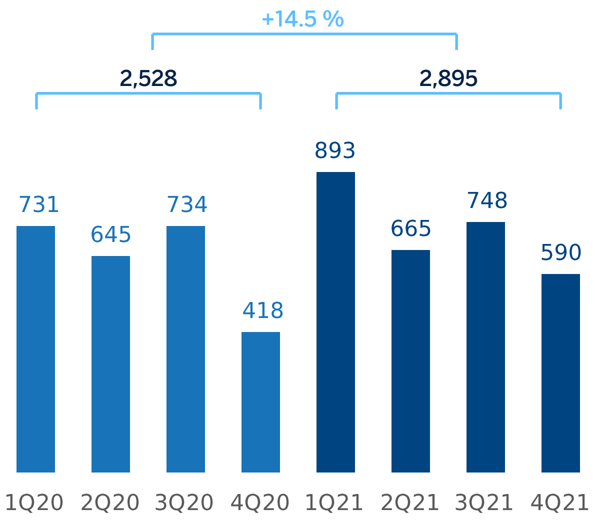


[1] Excluding repos.

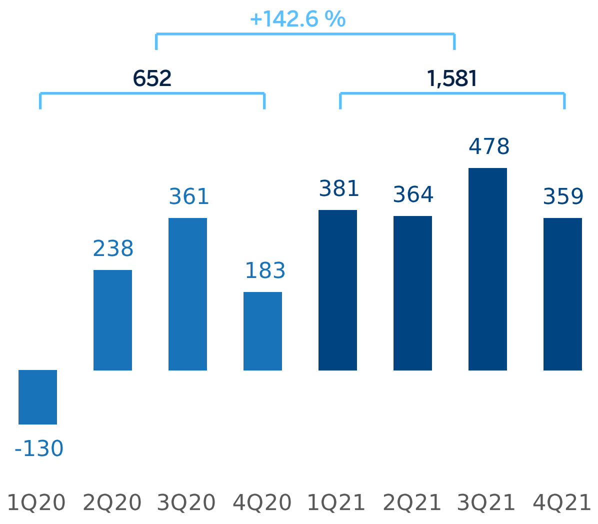
NET INTEREST INCOME/ATAS (PERCENTAGE)



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	2021	Δ %	2020
Net interest income	**3,502**	**(1.8)**	**3,566**
Net fees and commissions	2,189	21.5	1,802
Net trading income	343	97.4	174
Other operating income and expenses	(109)	n.s.	25
Of which: Insurance activities (1)	*357*	*(23.2)*	*465*
Gross income	**5,925**	**6.4**	**5,567**
Operating expenses	(3,030)	(0.3)	(3,039)
Personnel expenses	*(1,738)*	*—*	*(1,738)*
Other administrative expenses	*(861)*	*2.3*	*(841)*
Depreciation	*(431)*	*(6.3)*	*(460)*
Operating income	**2,895**	**14.5**	**2,528**
Impairment on financial assets not measured at fair value through profit or loss	(503)	(56.9)	(1,167)
Provisions or reversal of provisions and other results	(270)	(49.8)	(538)
Profit (loss) before tax	**2,122**	**157.9**	**823**
Income tax	(538)	221.7	(167)
Profit (loss) for the year	**1,584**	**141.6**	**655**
Non-controlling interests	(2)	(32.5)	(3)
Net attributable profit (loss)	**1,581**	**142.6**	**652**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-12-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	26,386	(31.2)	38,356
Financial assets designated at fair value	145,544	7.3	135,590
Of which: Loans and advances	*50,631*	*78.9*	*28,301*
Financial assets at amortized cost	199,663	0.8	198,173
Of which: Loans and advances to customers	*171,097*	*1.8*	*167,998*
Inter-area positions	34,005	28.4	26,475
Tangible assets	2,534	(12.7)	2,902
Other assets	5,346	(18.2)	6,535
Total assets/liabilities and equity	**413,477**	**1.3**	**408,030**
Financial liabilities held for trading and designated at fair value through profit or loss	81,376	13.7	71,542
Deposits from central banks and credit institutions	54,759	(6.8)	58,783
Deposits from customers	206,663	0.1	206,428
Debt certificates	38,224	(6.8)	41,016
Inter-area positions	—	—	—
Other liabilities	18,453	8.8	16,955
Regulatory capital allocated	14,002	5.2	13,306

Relevant business indicators	31-12-21	Δ %	31-12-20
Performing loans and advances to customers under management (1)	168,251	1.7	165,511
Non-performing loans	8,450	1.3	8,340
Customer deposits under management (1)	205,908	0.0	205,809
Off-balance sheet funds (2)	70,072	11.7	62,707
Risk-weighted assets	113,825	9.0	104,388
Efficiency ratio (%)	51.1		54.6
NPL ratio (%)	4.2		4.3
NPL coverage ratio (%)	62		67
Cost of risk (%)	0.30		0.67

(1) Excluding repos.

(2) Includes mutual funds and pension funds.

Macro and industry trends

The economic recovery continued in the fourth quarter of 2021, despite the negative impact on activity of the increased infections caused by new variants of the COVID-19. Activity indicators for the fourth quarter suggest a dynamism that could offset, at least partially, the impact on GDP in 2021 of the lower growth in the third quarter (2.6% quarterly) compared to the initial forecast by BBVA Research. According to estimates by BBVA Research, GDP would grow by around 5.1% in 2021, after a fall of 10.8% in 2020, and could increase by 5.5% in 2022 if European funds are used in a timely manner. Inflation continued to accelerate (in December 2021 it stood at 6.5%), driven mainly by energy prices, but will moderate in 2022, according to estimates by BBVA Research.

With regard to the banking system, with data as of the end of October 2021, the volume of lending to the private sector recorded a decline of 0.8% since December 2020, following growth of 2.6% in 2020. The NPL ratio continued to improve, reaching 4.36%, also at the end of October 2021 (4.51% at 2020 year-end). In addition, it should be noted that the system maintained comfortable levels of solvency and liquidity.

Activity

The most relevant aspects related to the area's activity during 2021 were:

- Lending activity (performing loans under management) was higher than at the end of 2020 (+1.7%) mainly due to growth in loans to SMEs (+10.2%), consumer loans (+9.1% including credit cards) and the increased activity of CIB in the fourth quarter of 2021 (+1.1 % year-on-year),
- With regard to asset quality, the non-performing loan ratio increased by 13 basis points in the quarter to stand at 4.2%, mainly due to the increase in non-performing loans, resulting from the reclassification due to the implementation of the aforementioned new definition of default. As a result of this increased balance of non-performing loans, the area's NPL coverage ratio is reduced to 62% as of December 31, 2021.
- Total customer funds increased (+2.8%) compared to 2020 year-end, supported by the favorable performance of off-balance sheet funds (+11.7%). For its part, the balance of customer deposits under management was stable during the year (0.0%), as the increase in deposits held by retail customers was offset by the decrease in the balances held by wholesale customers. By product, demand deposits grew by 7.4%, compensating for the drop in time deposits (-41.6%).

Results

Spain generated a net attributable profit of €1,581m during 2021, up 142.6% from the result posted in the previous year, mainly due to the increased provisions for impairment on financial assets as a result of the COVID-19 outbreak and the provisions made, in both cases in 2020, as well as the increased contribution from fees and commissions revenues and NTI in 2021.

The most notable aspects of the year-on-year changes in the area's income statement at the end of December 2021 were:

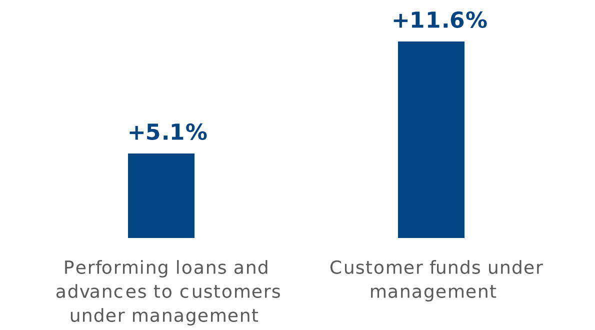
- Net interest income decreased by 1.8%, mainly due to the effect of the declining interest rates environment on the stock of loans and the lower contribution of the ALCO portfolios, which were partially offset by lower financing costs.
- Net fees and commissions continued to show a very positive performance (+21.5% year-on-year), mainly favored by a greater contribution from banking services, revenues associated with asset management and the contribution of insurance, in the latter case, by the bancassurance operation with Allianz.
- NTI showed at the end of December 2021 a significant year-on-year growth of 97.4%, mainly due to the results of the Global Markets unit.
- The other operating income and expenses line performed poorly compared to the previous year, due to the lower contribution from the insurance business in this line due to the bancassurance operation with Allianz and the higher contribution to the Single Resolution Fund.
- Operating expenses remained under control (-0.3% in year-on-year terms).
- As a result of gross income growth and contained expenses, the efficiency ratio stood at 51.1%, representing a significant improvement compared to 54.6% recorded at the end of December 2020.
- Impairment on financial assets recorded a significant reduction compared to the amount accumulated during 2020, mainly due to the negative impact of the worsening macroeconomic scenario caused by the pandemic following the outbreak of COVID-19 in March 2020, as well as the improvement of said scenario in 2021. For its part, the accumulated cost of risk remained on a downward trend and stood at 0.30% as of December 31, 2021.
- The provisions and other results line closed at €-270m, which was well below the €-538m recorded in the same period last year, which included provisions for potential claims.

3.2.2 Mexico

Highlights

- **Growth in lending activity in the year driven by the continued acceleration in the retail portfolio segment since the second quarter of 2021**
- **Increase in demand deposits and therefore improvement in the funding mix**
- **Growth in recurring income and strength of operating income throughout the year**
- **Better performance of impairment on financial assets in 2021**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-20)



[(1)] Excluding repos.

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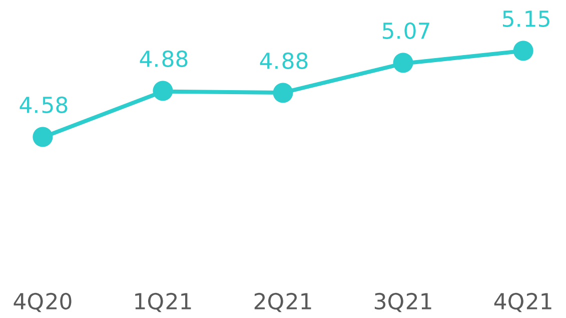
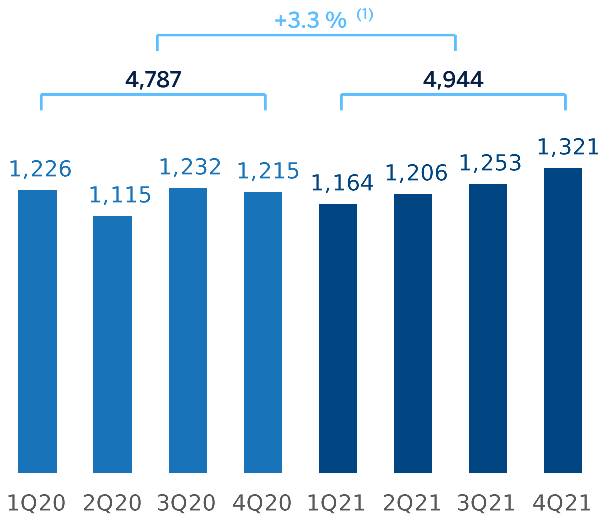
NET INTEREST INCOME/ATAS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

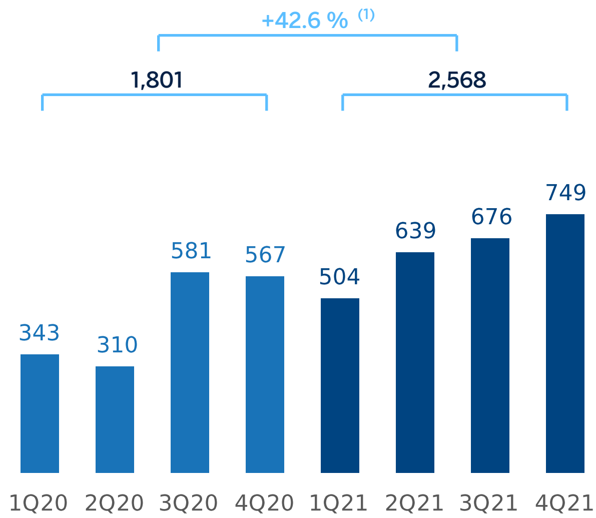


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[(1)] At current exchange rate: +5.6%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[(1)] At current exchange rate: +45.8%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2021	Δ %	Δ % [(1)]	2020
Net interest income	**5,836**	**7.8**	**5.4**	**5,415**
Net fees and commissions	1,211	14.1	11.6	1,061
Net trading income	366	(13.3)	(15.3)	423
Other operating income and expenses	190	50.3	46.9	126
Gross income	**7,603**	**8.2**	**5.8**	**7,025**
Operating expenses	(2,659)	13.4	10.9	(2,344)
Personnel expenses	*(1,199)*	*22.9*	*20.2*	*(976)*
Other administrative expenses	*(1,134)*	*7.3*	*4.9*	*(1,057)*
Depreciation	*(326)*	*4.6*	*2.3*	*(312)*
Operating income	**4,944**	**5.6**	**3.3**	**4,680**
Impairment on financial assets not measured at fair value through profit or loss	(1,440)	(33.7)	(35.2)	(2,172)
Provisions or reversal of provisions and other results	24	n.s.	n.s.	(33)
Profit (loss) before tax	**3,528**	**42.5**	**39.4**	**2,475**
Income tax	(960)	34.5	31.5	(714)
Profit (loss) for the year	**2,568**	**45.8**	**42.6**	**1,761**
Non-controlling interests	(0)	41.4	38.3	(0)
Net attributable profit (loss)	**2,568**	**45.8**	**42.6**	**1,761**

Balance sheets	31-12-21	Δ %	Δ % [(1)]	31-12-20
Cash, cash balances at central banks and other demand deposits	12,985	41.7	34.4	9,161
Financial assets designated at fair value	35,126	(3.4)	(8.4)	36,360
Of which: Loans and advances	*835*	*(67.7)*	*(69.4)*	*2,589*
Financial assets at amortized cost	65,311	9.2	3.5	59,819
Of which: Loans and advances to customers	*55,809*	*11.6*	*5.8*	*50,002*
Tangible assets	1,731	5.1	(0.4)	1,647
Other assets	2,953	(9.1)	(13.9)	3,249
Total assets/liabilities and equity	**118,106**	**7.1**	**1.6**	**110,236**
Financial liabilities held for trading and designated at fair value through profit or loss	19,843	(16.6)	(21.0)	23,801
Deposits from central banks and credit institutions	3,268	(36.2)	(39.6)	5,125
Deposits from customers	64,003	18.4	12.2	54,052
Debt certificates	7,984	4.5	(0.9)	7,640
Other liabilities	15,779	22.2	15.8	12,911
Regulatory capital allocated	7,229	7.8	2.2	6,707

Relevant business indicators	31-12-21	Δ %	Δ % [(1)]	31-12-20
Performing loans and advances to customers under management [(2)]	55,926	10.9	5.1	50,446
Non-performing loans	1,921	5.7	0.1	1,818
Customer deposits under management [(2)]	63,349	17.8	11.7	53,775
Off-balance sheet funds [(3)]	26,445	17.4	11.3	22,524
Risk-weighted assets	64,573	6.2	0.6	60,825
Efficiency ratio (%)	35.0			33.4
NPL ratio (%)	3.2			3.3
NPL coverage ratio (%)	106			122
Cost of risk (%)	2.67			4.02

[(1)] Figures at constant exchange rate.

[(2)] Excluding repos.

[(3)] Includes mutual funds and other off-balance sheet funds.

Macro and industry trends

Economic growth decelerated in the second half of 2021 after a strong expansion in the first half of the year. Given the recent slowdown, BBVA Research estimates that GDP growth was 5.3% in 2021, seven tenths lower than in the previous forecast, reflecting a partial recovery from the 8.4% drop in 2020. At the same time, in an environment of relatively weak domestic demand, strong inflationary pressures have led Banxico to raise monetary policy interest rates to 5.5% in December, from 4.0% in May. According to estimates by BBVA Research, interest rates will continue to increase, in an environment of relatively high inflation, and GDP growth will moderate significantly to around 2.2% in 2022.

With regard to the banking system, based on data at the end of November 2021, the system's lending volume increased since December 2020 (+4.1%), showing strong growth in the mortgage portfolio (+8,8% since the end of 2020), followed by consumer loans (+3.4%) and corporate loans (+2.1%), while demand and time deposits increased (+4.6 since December 2020). The NPL ratio in the system recorded slight improvement in 2021, reaching a NPL ratio of 2.15% at the end of November (+2.56% at the end of 2020) and capital indicators, by their part, remained comfortable.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during 2021 were:

- Lending activity (performing loans under management) grew by 5.1% compared to December 2020 thanks to the performance of the retail segment (+9.5%), which continued to show the dynamism that began in the second quarter of 2021. Within the retail segment, credit cards continued to stand out (+13.4%) followed by consumer and mortgage loans (+4.7% and +9.7%, respectively). Within this segment, SME financing was 15.4% higher compared to the end of December 2020, supported by the expansion of the product offering and the increase in the commercial effort with qualified personnel, which have resulted in a greater number of customers. For its part, the wholesale portfolio, which includes larger companies and the public sector, recorded a growth of (+3.6%). As a result of the above, BBVA Mexico's mix shows a shift towards the most profitable portfolio, with the retail portfolio representing 50.8% and the wholesale portfolio 49.2%.
- With regard to asset quality indicators, the NPL ratio recorded an increase of 63 basis points in the fourth quarter of 2021 and a decrease of 16 basis points compared to December 2020, explained by lower recurring NPL entries and a higher recognition of write-offs during the year, along with an increase in activity that has been partially offset in the last quarter due to the reclassification resulting from the implementation of the new definition of default. For its part, the NPL coverage ratio decreased to 106% during the year, due to the reclassification non-performing loans as a result of the new definition of default.
- Customer deposits under management showed an increase of 11.7% during 2021. This performance is explained by a growth of 15.9% in demand deposits, due to customers' preference for having liquid balances in an uncertain environment, compared to the decline observed in time deposits (-6.1%). The above has allowed BBVA Mexico to improve its deposits mix, with 84% of total deposits in lower-cost funds. Finally, mutual funds grew by 11.3% between January and December 2021, favored by an improved offering that includes funds linked to environmental, social and governance (ESG) factors.

Results

In Mexico, BBVA achieved a net attributable profit of €2,568m in 2021, representing a 42.6% increase compared to the same period in 2020, which was significantly affected by the COVID-19 pandemic.

The most relevant aspects of the year-on-year changes in the income statement at the end of December 2021 are summarized below:

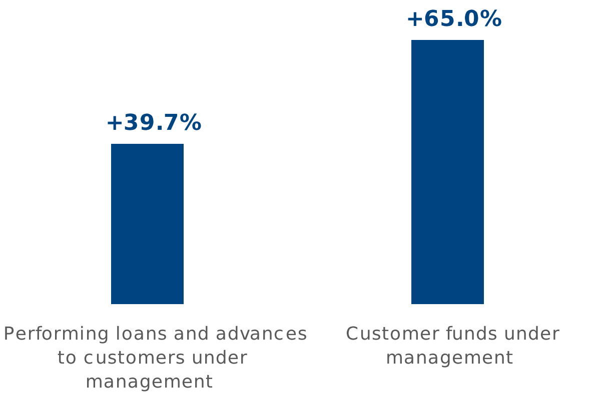
- Net interest income closed 2021 with an increase of 5.4%, due to lower financing costs, the negative impact on this line due to the customer support measures against a backdrop of the pandemic in the second quarter of 2020 and, to a lesser extent, the aforementioned improvement in the portfolio mix in 2021. Also notable is the favorable trend towards recovery in the new retail loan origination, which has already been reflected in this line since the third quarter.
- Net fees and commissions increased by 11.6% thanks to higher levels of transactions, especially on credit cards, as well as those arising from investment banking operations and mutual fund management.
- NTI decreased by 15.3% year-on-year, mainly due to lower results from the Global Markets unit in 2021, as well as lower results from ALCO portfolios.
- The other operating income and expenses line recorded a year-on-year increase of 46.9%, mainly thanks to the results of the insurance unit in 2021 and also supported by the extraordinary revenue generated by the effects of initiatives aimed at transforming the production model, which have allowed operational efficiencies to be increased.
- Operating expenses increased (+10.9%) in an environment of relatively high inflation, mainly due to higher personnel expenses against a backdrop of increased activity. Also contributing to the year-on-year growth is the fact that certain expenses were not incurred in 2020 as a result of the pandemic, and thus increased general expenses in 2021, like technology expenses, among others.
- The impairment on financial assets decreased significantly compared to the same period last year (-35.2%), mainly due to additional provisions for COVID-19 recorded in 2020. As a result of all the above, the cumulative cost of risk as of December 2021 stood at 2.67%.
- The provisions and other results line showed a favorable comparison, driven by higher sales of foreclosed assets in 2021 and lower provisions related to contingent risks compared to those recorded during 2020.

3.2.3 Turkey

Highlights

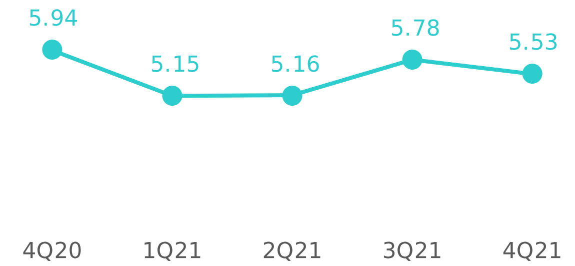
- **Activity driven by Turkish lira loans and deposits**
- **Year-on-year growth in recurring income and NTI**
- **Year-on-year decrease in the cost of risk**
- **Net attributable profit growth driven by higher revenues and lower impairment on financial assets**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-20)

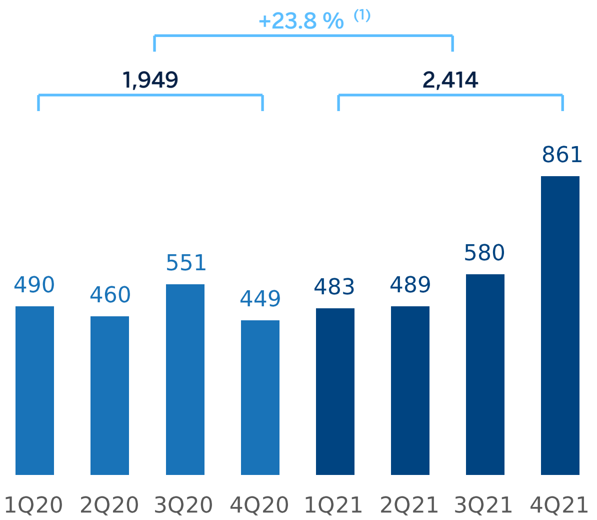


[(1)] Excluding repos.

NET INTEREST INCOME/ATAS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

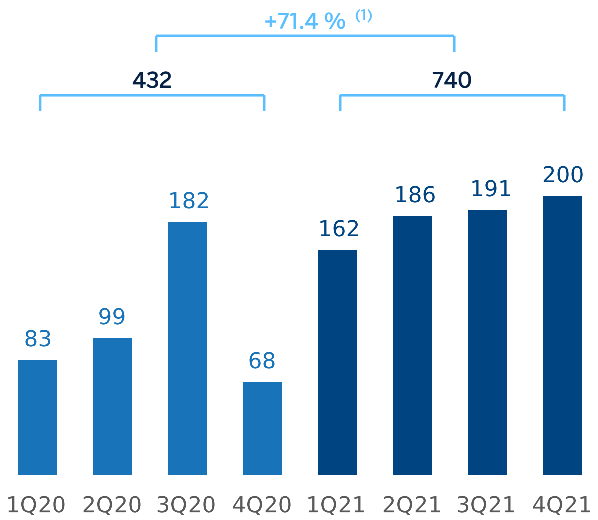


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[(1)] At current exchange rate: -5.1%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



[(1)] At current exchange rate: +31.3%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2021	Δ %	Δ %[(1)]	2020
Net interest income	**2,370**	**(14.8)**	**11.2**	**2,783**
Net fees and commissions	564	10.6	44.4	510
Net trading income	413	81.9	137.4	227
Other operating income and expenses	74	39.4	81.9	53
Gross income	**3,422**	**(4.2)**	**25.0**	**3,573**
Operating expenses	(1,008)	(2.1)	27.8	(1,029)
Personnel expenses	*(593)*	*5.8*	*38.0*	*(561)*
Other administrative expenses	*(297)*	*(7.0)*	*21.4*	*(319)*
Depreciation	*(118)*	*(20.8)*	*3.3*	*(150)*
Operating income	**2,414**	**(5.1)**	**23.8**	**2,544**
Impairment on financial assets not measured at fair value through profit or loss	(494)	(44.8)	(27.9)	(895)
Provisions or reversal of provisions and other results	33	n.s.	n.s.	(127)
Profit (loss) before tax	**1,953**	**28.3**	**67.4**	**1,522**
Income tax	(455)	19.9	56.5	(380)
Profit (loss) for the year	**1,498**	**31.1**	**71.1**	**1,142**
Non-controlling interests	(758)	30.9	70.8	(579)
Net attributable profit (loss)	**740**	**31.3**	**71.4**	**563**

Balance sheets	31-12-21	Δ %	Δ %[(1)]	31-12-20
Cash, cash balances at central banks and other demand deposits	7,764	41.7	136.9	5,477
Financial assets designated at fair value	5,289	(0.8)	65.8	5,332
Of which: Loans and advances	*295*	*(29.0)*	*18.7*	*415*
Financial assets at amortized cost	41,544	(11.1)	48.7	46,705
Of which: Loans and advances to customers	*31,414*	*(15.8)*	*40.8*	*37,295*
Tangible assets	623	(30.8)	15.7	901
Other assets	1,025	(12.4)	46.4	1,170
Total assets/liabilities and equity	**56,245**	**(5.6)**	**57.8**	**59,585**
Financial liabilities held for trading and designated at fair value through profit or loss	2,272	(2.7)	62.6	2,336
Deposits from central banks and credit institutions	4,087	20.9	102.1	3,381
Deposits from customers	38,341	(2.6)	62.9	39,353
Debt certificates	3,618	(10.4)	49.8	4,037
Other liabilities	2,166	(49.7)	(16.0)	4,308
Regulatory capital allocated	5,761	(6.6)	56.1	6,170

Relevant business indicators	31-12-21	Δ %	Δ %[(1)]	31-12-20
Performing loans and advances to customers under management [(2)]	30,610	(16.5)	39.7	36,638
Non-performing loans	2,995	(5.9)	57.3	3,183
Customer deposits under management [(2)]	38,335	(2.6)	62.9	39,346
Off-balance sheet funds [(3)]	3,895	13.7	90.1	3,425
Risk-weighted assets	49,718	(6.2)	56.7	53,021
Efficiency ratio (%)	29.5			28.8
NPL ratio (%)	7.1			6.6
NPL coverage ratio (%)	75			80
Cost of risk (%)	1.33			2.13

[(1)] Figures at constant exchange rate.

[(2)] Excluding repos.

[(3)] Includes mutual funds and pension funds.

Macro and industry trends

Activity indicators suggest that GDP has continued to grow strongly in the fourth quarter of 2021, supporting a revision of BBVA Research's growth estimate for 2021 from 9.5% to around 10.8%. Strong demand, as well as the sharp depreciation of the Turkish lira following the interest rate cuts announced in recent months, contributed to a very significant increase in annual inflation to 36.1% in December 2021. According to BBVA Research's estimates, growth could moderate to around 3.5% in 2022. However, the economic environment is highly volatile given the combination of high inflation (on average it could be around 50% in 2022), very negative real rates environment, pressure on the Turkish lira and high external financing needs.

With regard to the banking system, based on data as of December 2021 the total volume of lending in the system increased by 37% since December 2020 in local currency (+20% in the Turkish lira portfolio and -5% in the foreign currency loan portfolio), while deposits grew by 54%, included in these growth rates are the effect of inflation and the depreciation of the Turkish lira. The deposit dollarization increased to 64.5% (55.3% the previous year and 55.1% as of September 2021), mainly due to the depreciation of the Turkish lira. The system's NPL ratio stood at 3.16% at the end of 2021 (4.05% at the end of 2020 and 3.59% as of September 2021).

Unless expressly stated otherwise, all comments below on rates of changes for both activity and income, 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.

Activity

The most relevant aspects related to the area's activity during 2021 were:

- Lending activity (performing loans under management) increased by 39.7% between January and December 2021, driven by the growth in Turkish lira loans (+28.1%). This growth was supported by consumer loans, thanks to the strong origination in General Purpose Loans, and also by credit cards, mortgages and commercial loans. Foreign currency loans (in U.S. dollars) decreased in 2021 (-13.3%).
- In terms of asset quality, the NPL ratio increased by 57 basis points to 7.1% compared to the end of September 2021. In the quarter, there was positive performance in recoveries and repayments, as well as partial write-offs in the wholesale portfolio and retail portfolio sales; almost offsetting the higher NPL entries mainly due to the reclassification resulting from the implementation of the new definition of default. The NPL coverage ratio stood at 75% as of December 31, 2021, which represents a decrease of -311 basis points in the quarter, mainly due to the evolution of non-performing loans.
- Customer deposits under management (68% of total liabilities in the area as of December 31, 2021) remained as the main source of funding for the balance sheet and increased by 62.9%. Especially noteworthy is the positive performance of Turkish lira demand deposits (+41.8%), which represent 29% of total customer deposits in local currency, as well as time deposits (+18.7%). Foreign currency deposits (in U.S. dollars) increased by 5.1%. For its part, the evolution of off-balance sheet funds (+90.1%) also stood out.

Results

Turkey generated a net attributable profit of €740m in 2021, 71.4% higher than the previous year, which was impacted by a strong increase in the impairment on financial assets due to the COVID-19 pandemic and also supported by higher contribution from recurring income and NTI in 2021. Taking into account the effect of the depreciation of the Turkish lira over the period, the results generated by Turkey increased by 31.3%.

The most significant aspects of the year-on-year evolution in the area's income statement at the end of December 2021 were:

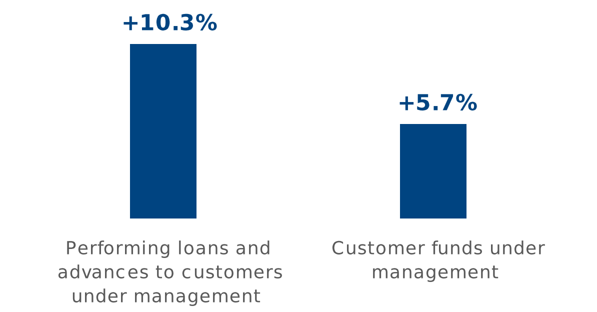
- Net interest income increased by 11.2%, mainly due to larger loan volumes and also due to a higher contribution from inflation-linked bonds. This was partly offset by the contraction of the customer spread during 2021 and by higher financing costs.
- Net fees and commissions recorded significant growth (+44.4%) mainly driven by the positive performance in payment systems, money transfer, brokerage and guarantees.
- NTI performed significantly well (+137.4%), mainly due to the earnings of the Global Markets unit, as well as gains from securities transactions.
- Other operating income and expenses increased by 81.9% in 2021, mainly due to the greater contribution of the subsidiaries of Garanti BBVA, most notably the leasing operations.
- Operating expenses increased by 27.8%, impacted by the higher average annual inflation rate (above 19%), the depreciation of the Turkish Lira and increased activity. On the other hand, there was a reduction in some discretionary expenses in 2020 due to COVID-19, affecting the year-on-year evolution. Nevertheless, the efficiency ratio remained low (29.5%).
- Impairment on financial assets decreased by 27.9% compared to those registered in 2020, mainly due to the negative impact of the deterioration in the macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic in March 2020, as well as the improvement of said scenario in 2021. In the fourth quarter of 2021, there was an increase in the coverage of customers sensitive to exchange rate fluctuations and higher requirements for provisions were recorded after a recalibration of wholesale risk models, reflecting greater sensitivity to currency evolution. As a result, the cumulative cost of risk at the end of December 2021 has decreased to 1.33% from 2.13% a year earlier.
- The provisions and other results line closed December with a profit of €33m, compared to the loss of €-127m recorded in the same period of the previous year, mainly thanks to lower provisions for special funds and contingent liabilities and commitments and capital gains from the sale of real estate assets.

3.2.4 South America

Highlights

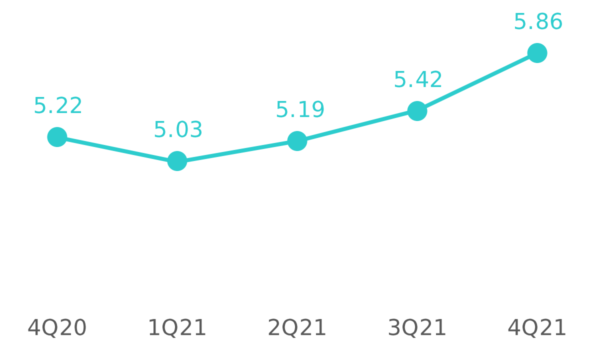
- **Increase in lending activity in 2021, with growth in both retail and commercial segments**
- **Reduction in higher-cost customer funds**
- **Favorable year-on-year evolution of recurring income and higher adjustment for inflation in Argentina**
- **Reduction in the impairment on financial assets line as 2020 was affected by the outbreak of the pandemic**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-20)



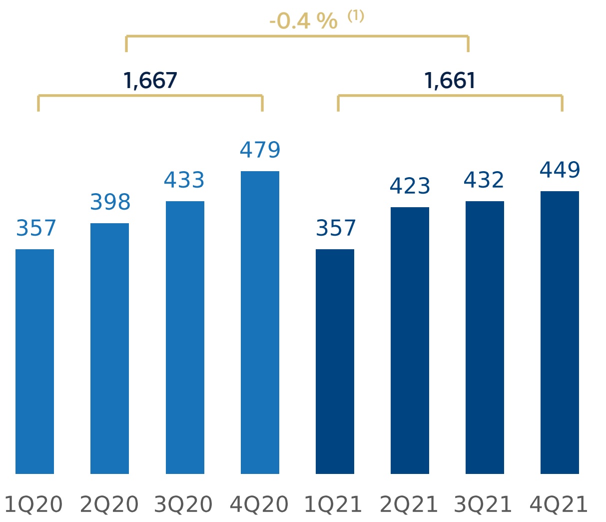
[1] Excluding repos. It excludes the balances of BBVA Paraguay as of 31-12-2020.

NET INTEREST INCOME/ATAS (PERCENTAGE AT CONSTANT EXCHANGE RATES)



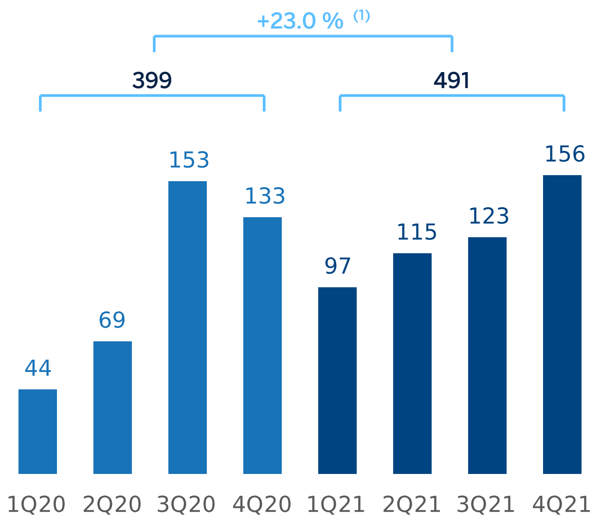
General note: Excluding BBVA Paraguay.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates:-10.4%.
At constant exchange rates, excluding BBVA Paraguay: +2.0%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +10.1%.
At constant exchange rates, excluding BBVA Paraguay: +30.3%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2021	Δ %	Δ % (1)	Δ % (2)	2020
Net interest income	**2,859**	**5.8**	**15.5**	**18.1**	**2,701**
Net fees and commissions	589	21.8	34.9	37.8	483
Net trading income	324	(20.3)	(11.6)	(9.8)	407
Other operating income and expenses	(611)	66.4	71.9	74.4	(367)
Gross income	**3,162**	**(2.0)**	**8.1**	**10.6**	**3,225**
Operating expenses	(1,501)	9.4	19.4	22.0	(1,372)
Personnel expenses	*(724)*	*8.2*	*18.4*	*21.4*	*(670)*
Other administrative expenses	*(632)*	*15.0*	*25.3*	*27.6*	*(549)*
Depreciation	*(145)*	*(5.7)*	*2.4*	*4.8*	*(154)*
Operating income	**1,661**	**(10.4)**	**(0.4)**	**2.0**	**1,853**
Impairment on financial assets not measured at fair value through profit or loss	(622)	(28.0)	(21.3)	(20.0)	(864)
Provisions or reversal of provisions and other results	(77)	(17.0)	(7.7)	(6.8)	(93)
Profit (loss) before tax	**961**	**7.3**	**21.3**	**25.3**	**896**
Income tax	(287)	3.5	16.0	17.3	(277)
Profit (loss) for the year	**674**	**9.0**	**23.8**	**29.1**	**618**
Non-controlling interests	(184)	6.3	25.9	25.9	(173)
Net attributable profit (loss)	**491**	**10.1**	**23.0**	**30.3**	**446**

Balance sheets	31-12-21	Δ %	Δ % (1)	Δ % (2)	31-12-20
Cash, cash balances at central banks and other demand deposits	8,549	20.0	24.1	33.1	7,127
Financial assets designated at fair value	7,175	(2.1)	2.5	2.5	7,329
Of which: Loans and advances	*157*	*45.4*	*55.6*	*55.6*	*108*
Financial assets at amortized cost	37,747	(2.1)	1.8	5.0	38,549
Of which: Loans and advances to customers	*34,608*	*3.0*	*7.0*	*10.7*	*33,615*
Tangible assets	895	10.7	13.7	14.9	808
Other assets	1,758	8.3	14.4	16.6	1,624
Total assets/liabilities and equity	**56,124**	**1.2**	**5.3**	**8.7**	**55,436**
Financial liabilities held for trading and designated at fair value through profit or loss	1,884	42.0	50.6	50.7	1,326
Deposits from central banks and credit institutions	5,501	2.3	5.1	5.4	5,378
Deposits from customers	36,340	(1.4)	2.3	6.5	36,874
Debt certificates	3,215	(1.7)	3.8	4.7	3,269
Other liabilities	4,207	10.3	16.1	17.9	3,813
Regulatory capital allocated	4,977	4.2	8.8	12.7	4,776

Relevant business indicators	31-12-21	Δ %	Δ % (1)	Δ % (2)	31-12-20
Performing loans and advances to customers under management (3)	34,583	2.6	6.6	10.3	33,719
Non-performing loans	1,813	1.8	5.6	8.1	1,780
Customer deposits under management (4)	36,364	(1.4)	2.3	6.5	36,886
Off-balance sheet funds (5)	14,756	7.5	3.7	3.7	13,722
Risk-weighted assets	43,334	8.9	13.6	17.6	39,804
Efficiency ratio (%)	47.5				42.6
NPL ratio (%)	4.5				4.4
NPL coverage ratio (%)	99				110
Cost of risk (%)	1.65				2.36

(1) Figures at constant exchange rates.

(2) At constant exchange rates excluding BBVA Paraguay.

(3) Excluding repos.

(4) Excluding repos and including specific marketable debt securities.

(5) Includes mutual funds and pension funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit (loss)			
Country	2021	Δ %	Δ % [1]	2020	2021	Δ %	Δ % [1]	2020
Argentina	260	(24.2)	n.s.	343	63	(29.4)	n.s.	89
Colombia	569	(3.8)	1.0	591	228	38.5	45.4	165
Peru	685	(4.6)	9.6	718	122	11.4	28.0	110
Other countries [2]	147	(26.8)	(24.9)	200	77	(5.8)	(2.4)	82
Total	**1,661**	**(10.4)**	**(0.4)**	**1,853**	**491**	**10.1**	**23.0**	**446**

[1] Figures at constant exchange rates.

[2] Bolivia, Chile (Forum), Paraguay in 2020, Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20
Performing loans and advances to customers under management [1][2]	3,333	2,495	12,334	10,913	15,552	14,914
Non-performing loans and guarantees given [1]	81	46	697	632	966	892
Customer deposits under management [1][3]	6,083	4,101	12,814	11,330	13,946	15,648
Off-balance sheet funds [1][4]	1,716	860	998	1,463	1,543	2,119
Risk-weighted assets	6,775	5,685	14,262	13,096	18,016	15,845
Efficiency ratio (%)	68.2	53.6	36.2	35.2	37.6	37.7
NPL ratio (%)	2.3	1.8	5.0	5.2	4.9	4.5
NPL coverage ratio (%)	146	241	103	113	89	101
Cost of risk (%)	2.20	3.24	1.85	2.64	1.59	2.13

[1] Figures at constant exchange rates.

[2] Excluding repos.

[3] Excluding repos and including specific marketable debt securities.

[4] Includes mutual 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. The information for this business area includes BBVA Paraguay with regard to data on the results, activity, balance sheet and relevant business indicators for 2020, but does not include Paraguay for 2021, as the sale agreement materialized in January of that year. To facilitate an homogeneous comparison, the attached tables include a column at constant exchange rates that does not take BBVA Paraguay into account. All comments for this area also exclude BBVA Paraguay.

Activity and results

The most relevant aspects related to the area's activity during 2021 were:

- Lending activity (performing loans under management) recorded a variation of +10.3% over the period, with growth in all products and in all countries of the region, highlighting consumer and credit cards portfolios (+15.2%) and corporate portfolio (+9.3%).
- With regard to asset quality, the NPL ratio stood at 4.5%, which represents a decrease of 6 basis points compared to the end of September 2021, even taking into account the increase in non-performing loans due to the implementation of the new definition of default. For its part, the NPL coverage rate stood at 99, with a decrease of -943 basis points in the quarter due to this increase in non-performing loans.
- Customer funds under management increased (+5.7%) compared to the previous year's closing balances, with growth in demand deposits (+13.3%) and off-balance sheet funds (+3.7%) and a reduction in time deposits, in line with the strategy of some countries to reduce higher-cost liabilities in an environment whereby the Group's liquidity situation throughout the region is adequate.

With regard to the year-on year evolution of the results of South America, the area generated €491m in 2021, representing a year-on-year variation of +30.3%, mainly due to the improved performance of recurring income in 2021 (+21.0%), despite COVID-19 outbreaks and restrictions on mobility which have been in force during part of 2021 in some countries of the region. This comparison is also affected by the significant provision for impairment on financial assets made in 2020, also caused by COVID-19. In addition to all the aforementioned, it is worth mentioning two impacts originating in Argentina in the cumulative net attributable profit of the area: on the one hand, the impact derived from inflation in the country, which stood at €-164m at the close of December 2021, compared to €-104m accumulated at the close of December 2020; and on the other hand, a lower contribution due to the annual valuation on the remaining stake in Prisma Medios de Pago S.A. (hereinafter Prisma), with an impact on the NTI of the area.

More detailed information on the most representative countries of the business area is provided below:

Argentina

Macro and industry trends

Greater control of the pandemic during the second half of 2021 has allowed for a rapid recovery of economic activity. BBVA Research estimates that, after a contraction of 9.9% in 2020, GDP could stand at around 10.0% growth in 2021 and forecasts moderation to around 3.5% in 2022. Inflation remains very high, at around 50% at the end of December 2021, and some acceleration is expected during 2022, pending the negotiation of a new loan agreement with the International Monetary Fund.

The banking system continues to be influenced by the high inflation scenario. At the end of October 2021, lending grew by 28% compared to December 2020, while deposits grew by 39%. Meanwhile, during 2021, the NPL ratio increased to 4.9% in October (+1 percentage point compared to December 2021).

Activity and results

- Lending activity increased by 33.6% compared to the close of December 2020, a figure that is below inflation, with growth in the retail segment (+38.2%), highlighting credit cards (+38.4%), consumer loans (+41.1%) and corporate loans (+27.0%). The NPL ratio decreased in the last quarter of the year to 2.3%, due to increased activity and higher level of write-offs. For its part, the NPL coverage ratio was reduced to 146%, as a result of the reversal of provisions due to the annual parameters' recalibration.
- Balance sheet funds grew by 48.3% in 2021 and off-balance sheet funds (mutual funds) grew by 99.5% compared to December 2020.
- The cumulative net attributable profit at the end of December 2021 stood at €63m, below the figure achieved twelve months earlier, as a result of the good performance of the recurring income, offset by: lower NTI, impacted by a lower contribution from Prisma's annual valuation; a more negative adjustment for inflation; higher expenses and higher provisions compared to 2020.

Colombia

Macro and industry trends

Economic activity has shown greater dynamism than expected in the last months of 2021, so that growth in the year could reach 10% (one point higher than expected three months ago), a significant recovery from the 6.8% contraction of GDP in 2020. In addition, the high inflation has helped the Bank of the Republic raise interest rates to 3.0% in December, from 1.75% in August. BBVA Research also estimates that further interest rate hikes will help control inflation expectations and that growth will converge to about 4.0% by 2022.

Total lending in the banking system recovered (+7.5% at the end of October 2021, compared to December 2020), driven by credit to households, particularly the consumer portfolio (+8.8%). Corporate lending grew by 5.8%. Total deposits, meanwhile, grew by 3.9% at the end of October 2021 compared to December 2020. The system's NPL ratio at the end of October 2021 fell to 4.29% (70 basis points lower than in December 2020).

Activity and results

- Lending activity grew by 13.0% compared to 2020 year-end, with a good performance in both wholesale (+20.3%) and retail portfolios (+9.0%). In terms of asset quality, between September and December 2021 there was a -25 basis points drop in the NPL ratio to 5.0%, as a result of higher recoveries and good write-off management, coupled with the increase in activity mentioned above. For its part, the NPL coverage ratio stood at 103%, lower than the figure recorded in September 2021 (107%) due to a reduction in provisions.
- Customer deposits under management increased by 13.1%, compared to 2020 year-end, with growth in demand deposits, which compensated for the strategic reduction of time deposits, with higher costs for BBVA Colombia. For its part, off-balance sheet funds closed with a negative variation of 31.8% in 2021 due to the volatility of investments made by institutional customers.
- The net attributable profit for 2021 stood at €228m, significantly higher (+45.4% year-on-year) than the €165m reached in 2020, thanks to the favorable evolution of recurring income, as well as lower provisions for impairment on financial assets in 2021 compared to the previous year, when they increased notably due to the outbreak of the pandemic, which offset the negative impact on the other operating income and expenses line and the increased costs.

Peru

Macro and industry trends

The economic recovery process continued in the last months of 2021. Activity indicators have surprised positively compared to what was expected. Thus, BBVA Research estimates that after a fall of 11% in 2020, GDP would have increased by around 13.1% in 2021 (about one point above the previous forecast), despite inflationary pressures and monetary policy interest rate hikes to 2.5% in December. BBVA Research also projects growth to slightly exceed 2% in 2022, against a background of relatively high, albeit declining, inflation and further increases in interest rates.

Total lending in the banking system recovered (+5.6% at the end of September 2021, compared to December 2020) due to the stabilization of the consumer portfolio after decreasing in 2020 and the first months of 2021. The housing portfolio accelerated its growth (+8.9%) and the corporate portfolio continued its deceleration (-6.2%) in September 2021, compared to December 2020, after the strong growth of the previous year due to the *Reactiva* program. For its part, the system's NPL ratio was still contained at 3.11% on the same date.

Activity and results

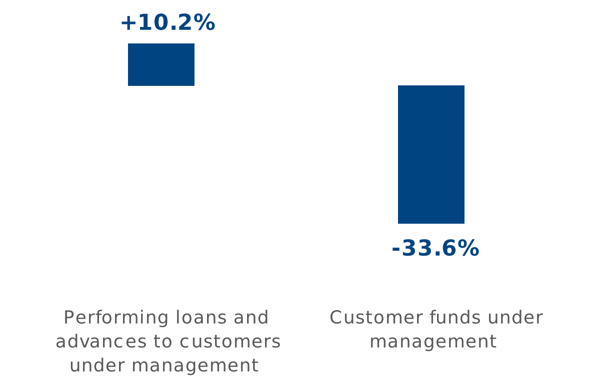
- Lending activity was favored by improving economic conditions and closed December 2021 with a growth of 4.3% compared to the previous year, mainly due to the performance of mortgages (+4.1%), consumer loans (+21.9%) and corporate lending (+2.7%). The NPL ratio increased in the fourth quarter of 2021 to stand at 4.9% (+18 basis points compared to September 2021), due to the implementation of the new definition of default. For its part, the NPL coverage ratio decreased to 89%, due to the increase in non-performing loans.
- Customers funds under management decreased by 12.8% in 2021, mainly due to lower balances in time deposits, with the aim of reducing their cost, as well as the reduction in mutual funds, which also recorded a decrease compared to the close of December 2020 (-27.2%), due to the departure of some customers.
- In the year-on-year evolution of the income statement, recurring income grew by 11.1%, thanks to the favorable evolution of the net interest income and commissions, which grew by 8.2% and 21.8%, respectively, offsetting the increase in operating expenses. Regarding items below operating income on the income statement, the year-on-year reduction in provisions for impairment on financial assets has boosted the results (-16.1%), as a result of high provision charges in 2020 following the pandemic outbreak. As a result, the net attributable profit stood at €122m at the end of December 2021, 28.0% higher than the figure posted in 2020.

3.2.5 Rest of Business

Highlights

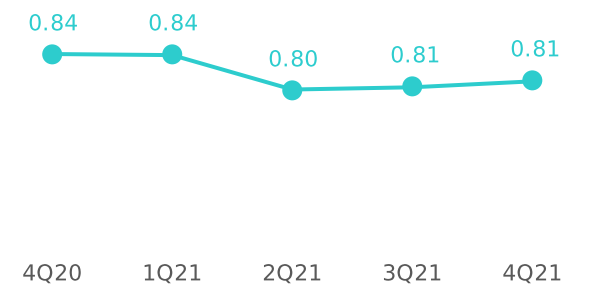
- **Increase in lending due to evolution in the second half of the year and decrease in customer funds in 2021**
- **Good performance of NTI**
- **Favorable evolution of risk indicators**
- **Reversal in the impairment on financial assets line, which contrasts with provisions made in 2020**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-20)

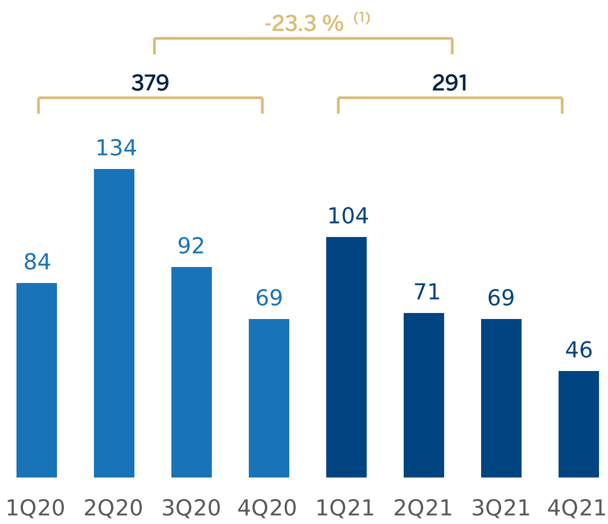


[(1)] Excluding repos.

NET INTEREST INCOME/ATAS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

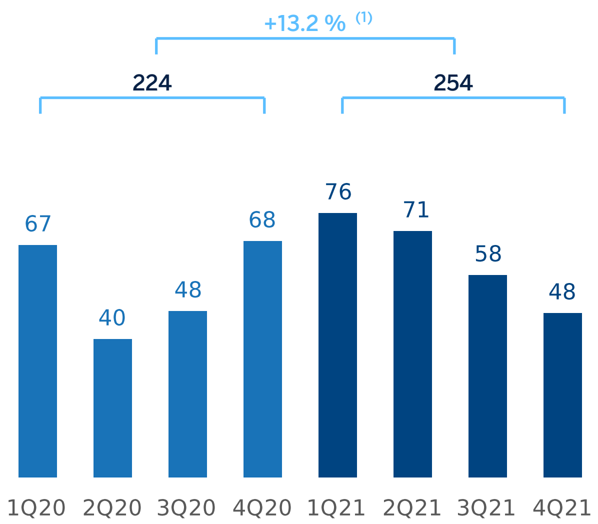


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[(1)] At current exchange rates: -21.9%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[(1)] At current exchange rates: +14.2%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2021	Δ %	Δ % (1)	2020
Net interest income	**281**	**(3.3)**	**(5.4)**	**291**
Net fees and commissions	248	(25.4)	(24.8)	332
Net trading income	197	15.0	13.3	171
Other operating income and expenses	16	(65.4)	(65.3)	45
Gross income	**741**	**(11.6)**	**(12.3)**	**839**
Operating expenses	(451)	(3.4)	(3.4)	(467)
Personnel expenses	*(233)*	*(9.3)*	*(8.9)*	*(257)*
Other administrative expenses	*(197)*	*4.3*	*3.7*	*(189)*
Depreciation	*(20)*	*(0.3)*	*(0.7)*	*(20)*
Operating income	**291**	**(21.9)**	**(23.3)**	**372**
Impairment on financial assets not measured at fair value through profit or loss	27	n.s.	n.s.	(85)
Provisions or reversal of provisions and other results	(4)	(51.9)	(54.6)	(8)
Profit (loss) before tax	**314**	**12.2**	**11.4**	**280**
Income tax	(60)	4.8	4.3	(57)
Profit (loss) for the year	**254**	**14.2**	**13.2**	**222**
Non-controlling interests	—	—	—	—
Net attributable profit (loss)	**254**	**14.2**	**13.2**	**222**

Balance sheets	31-12-21	Δ %	Δ % (1)	31-12-20
Cash, cash balances at central banks and other demand deposits	3,970	(35.1)	(40.0)	6,121
Financial assets designated at fair value	5,684	286.8	266.2	1,470
Of which: Loans and advances	*4,693*	*n.s.*	*n.s.*	*153*
Financial assets at amortized cost	30,299	11.3	9.4	27,213
Of which: Loans and advances to customers	*26,949*	*12.2*	*10.2*	*24,015*
Inter-area positions	—	—	—	—
Tangible assets	70	(6.9)	(8.2)	75
Other assets	291	(0.6)	(3.3)	293
Total assets/liabilities and equity	**40,314**	**14.6**	**11.2**	**35,172**
Financial liabilities held for trading and designated at fair value through profit or loss	5,060	n.s.	n.s.	849
Deposits from central banks and credit institutions	1,709	0.5	(3.5)	1,700
Deposits from customers	6,266	(32.9)	(35.9)	9,333
Debt certificates	1,166	(22.8)	(24.0)	1,511
Inter-area positions	22,103	21.9	19.4	18,132
Other liabilities	723	18.8	15.5	608
Regulatory capital allocated	3,287	8.2	5.6	3,039

Relevant business indicators	31-12-21	Δ %	Δ % (1)	31-12-20
Performing loans and advances to customers under management (2)	26,983	12.3	10.2	24,038
Non-performing loans	261	(19.6)	(20.2)	324
Customer deposits under management (2)	6,266	(32.9)	(35.9)	9,333
Off-balance sheet funds (3)	597	4.9	4.9	569
Risk-weighted assets	29,252	20.2	17.7	24,331
Efficiency ratio (%)	60.8			55.6
NPL ratio (%)	0.7			1.0
NPL coverage ratio (%)	116			109
Cost of risk (%)	(0.11)			0.30

(1) Figures 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 activity of Rest of Business of BBVA Group during 2021 were:

- Lending activity (performing loans under management) increased during the year (+10.2%), thanks to the business growth of BBVA's branches located in Asia.
- Regarding credit risk indicators, the NPL ratio stood at 0.7%, 23 basis points below the end of September 2021 due to increased activity and higher recoveries of wholesale customers in Europe, improving the coverage rate 18 percentage points to 116%.
- Customer funds under management decreased by 33.6% mainly due to a decrease in deposits from wholesale customers in the New York branch.

Results

The most significant aspects of the year-on-year evolution in the area's income statement at the end of December 2021 are the following:

- The net interest income decreased -5.4% compared to the same period of the previous year, mainly due to the evolution of the New York branch.
- Net commissions fell by 24.8% compared to the end of December 2020, due to lower issuance and advisory fees in Europe and, in particular, due to lower contribution from BBVA Securities, the Group's broker-dealer in the United States.
- The NTI line increased (+13.3%) driven by a better performance of BBVA Securities, the business in Europe and branches in Asia.
- Year-on-year decrease in operating expenses (-3.4%) due to lower expenses recorded by BBVA Securities.
- The impairment on financial assets line closed December with a reversal of €27m, which positively compares against the €-85m recorded twelve months earlier, mainly explained by the positive evolution of impaired clients of the New York branch and the retail portfolio in Europe.
- As a result, the area's cumulative net attributable profit between January and December 2021 was €254m (+13.2% year-on-year).

3.2.6 Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2021	Δ %	2020
Net interest income	**(163)**	**(0.4)**	**(164)**
Net fees and commissions	(36)	(45.5)	(66)
Net trading income	266	84.2	144
Other operating income and expenses	146	n.s.	22
Gross income	**212**	**n.s.**	**(63)**
Operating expenses	(881)	5.4	(836)
Personnel expenses	*(558)*	*13.2*	*(493)*
Other administrative expenses	*(129)*	*(13.4)*	*(149)*
Depreciation	*(194)*	*—*	*(194)*
Operating income	**(668)**	**(25.6)**	**(898)**
Impairment on financial assets not measured at fair value through profit or loss	(2)	n.s.	4
Provisions or reversal of provisions and other results	32	n.s.	(289)
Profit (loss) before tax	**(638)**	**(46.1)**	**(1,183)**
Income tax	94	(64.9)	268
Profit (loss) for the year	**(544)**	**(40.6)**	**(915)**
Non-controlling interests	(20)	n.s.	—
Net attributable profit (loss) excluding non-recurring impacts	**(564)**	**(38.3)**	**(915)**
Profit (loss) after tax from discontinued operations (1)	280	n.s.	(1,729)
Corporate operations (2)	—	—	304
Net cost related to the restructuring process	(696)	—	—
Net attributable profit (loss)	**(980)**	**(58.1)**	**(2,339)**

(1) Including the results generated by BBVA USA and the rest of the companies in the United States until the sale operation closing on June 1, 2021.

(2) Net capital gains from the sale to Allianz of the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

Balance sheets	31-12-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	9,609	n.s.	874
Financial assets designated at fair value	2,099	43.3	1,464
Of which: Loans and advances	*—*	*n.s.*	*—*
Financial assets at amortized cost	2,175	26.6	1,718
Of which: Loans and advances to customers	*1,006*	*99.4*	*505*
Inter-area positions	—	—	—
Tangible assets	1,964	(4.8)	2,063
Other assets	14,988	(84.9)	99,298
Total assets/liabilities and equity	**30,835**	**(70.7)**	**105,416**
Financial liabilities held for trading and designated at fair value through profit or loss	84	17.3	72
Deposits from central banks and credit institutions	825	(2.4)	845
Deposits from customers	175	(51.7)	363
Debt certificates	1,556	(64.2)	4,344
Inter-area positions	7,758	n.s.	64
Other liabilities	6,932	(91.7)	83,707
Regulatory capital allocated	(35,257)	3.7	(33,998)
Total equity	48,760	(2.5)	50,020

Results

The Corporate Center recorded a net attributable loss of €564m between January and December 2021, excluding various non-recurring impacts, among them:

- The profit (loss) after tax from discontinued operations which includes the results generated by the Group's businesses in the United States prior to its sale to PNC on June 1, 2021, which amounted to a positive result of €280m, while at the end of December 2020 it stood at €-1,729m, including the goodwill impairment in the United States which amounted to €-2,084m.
- The net cost related to the restructuring process of BBVA S.A. in Spain which amounted to €-696m, of which, before tax, €-754m correspond to the collective layoff and €-240m to branches closures.

Including both non-recurring impacts, the Corporate Center recorded a cumulative net attributable loss of €-980m at the end of December 2021, showing a significant improvement over the previous year. For comparative purposes, it should be noted that the net attributable loss recorded by the Corporate Center in 2020 was positively impacted by the materialization, in the fourth quarter of that year, of the bancassurance agreement reached with Allianz in Spain, which contributed a net capital gain of €304m, recorded in the corporate operations line of the income statement.

In addition to the aforementioned, the most relevant aspects of the year-on-year evolution are summarized below:

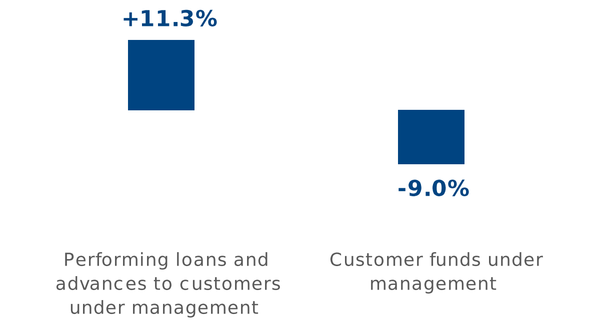
- Net fees and commissions evolved positively, since those from the previous year recorded expenses associated with the issuance of the first green convertible bond (CoCo) for an amount of €1,000m.
- NTI increased by 84.2% as a result, mainly, from the valuation of the Group’s stakes in Funds & Investment Vehicles in tech companies.
- The other operating income and expenses line registered a positive result at the end of December 2021, mainly due to higher dividend income obtained from the Group's stake in Telefónica and funds and investment vehicles in tech companies.
- Finally, the provisions or reversal of provisions and other results line compares very positively with the balance of the previous year, mainly due to the deterioration of investments in subsidiaries, joint venture or associates businesses in 2020.

3.2.7 Other information: Corporate & Investment Banking

Highlights

- **Recovery of lending activity, which was above pre-pandemic levels, and reduction of customer funds**
- **Growth of recurring income and good performance of NTI**
- **Efficiency ratio remains at low levels thanks to the good performance of revenue items and management of discretionary expenses**
- **Significant reduction in the impairment on financial assets line, compared to 2020 which was strongly affected by the effects of the pandemic**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-20)



[1] Excluding repos.

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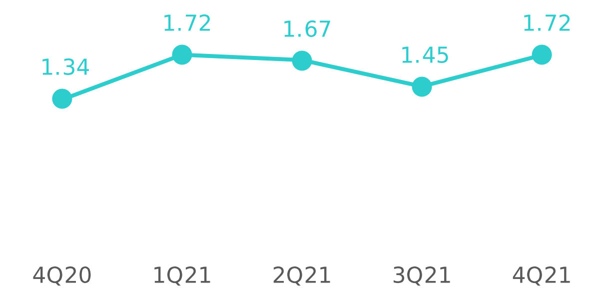
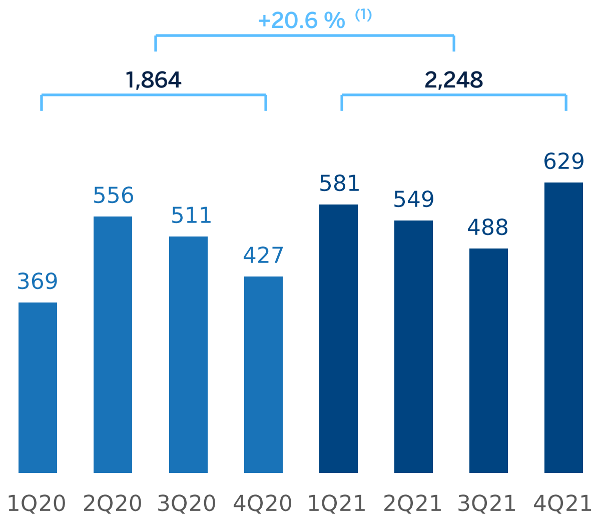
GROSS INCOME/ATAS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

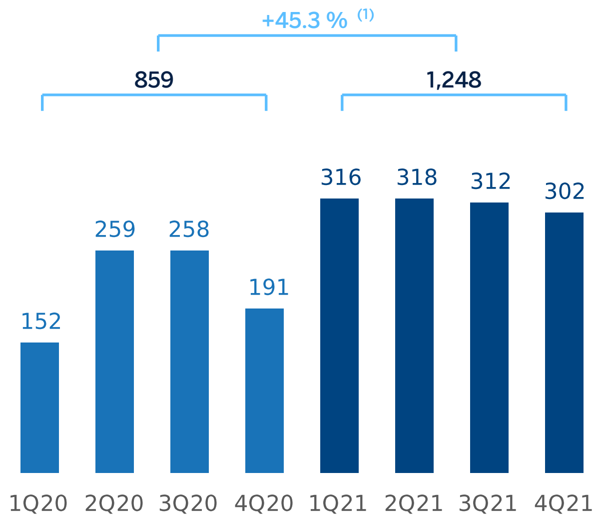


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +11.8%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



[1] At current exchange rates: +40.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2021	Δ %	Δ % (1)	2020
Net interest income	**1,576**	**6.3**	**12.2**	**1,482**
Net fees and commissions	794	5.7	11.1	751
Net trading income	905	22.5	31.2	739
Other operating income and expenses	(40)	5.6	7.6	(38)
Gross income	**3,235**	**10.3**	**16.7**	**2,934**
Operating expenses	(987)	7.0	8.7	(922)
Personnel expenses	*(474)*	*15.9*	*17.1*	*(409)*
Other administrative expenses	*(405)*	*1.8*	*4.4*	*(398)*
Depreciation	*(107)*	*(6.7)*	*(6.6)*	*(115)*
Operating income	**2,248**	**11.8**	**20.6**	**2,011**
Impairment on financial assets not measured at fair value through profit or loss	(69)	(84.9)	(82.5)	(454)
Provisions or reversal of provisions and other results	(12)	(78.4)	(78.4)	(54)
Profit (loss) before tax	**2,168**	**44.2**	**52.9**	**1,504**
Income tax	(593)	50.4	59.0	(394)
Profit (loss) for the year	**1,575**	**42.0**	**50.7**	**1,109**
Non-controlling interests	(327)	48.3	75.7	(220)
Net attributable profit (loss)	**1,248**	**40.4**	**45.3**	**889**

(1) Figures at constant exchange rates.

Balance sheets	31-12-21	Δ %	Δ % (1)	31-12-20
Cash, cash balances at central banks and other demand deposits	5,125	(31.6)	(35.5)	7,491
Financial assets designated at fair value	131,711	22.1	21.7	107,838
Of which: Loans and advances	*55,232*	*91.8*	*92.8*	*28,804*
Financial assets at amortized cost	72,363	1.9	5.6	71,031
Of which: Loans and advances to customers	*62,042*	*4.8*	*9.3*	*59,225*
Inter-area positions	—	—	—	—
Tangible assets	43	(13.3)	(10.9)	50
Other assets	110	(87.0)	(85.5)	843
Total assets/liabilities and equity	**209,352**	**11.8**	**12.8**	**187,253**
Financial liabilities held for trading and designated at fair value through profit or loss	95,283	11.9	11.0	85,129
Deposits from central banks and credit institutions	12,884	(19.3)	(19.5)	15,958
Deposits from customers	38,360	(10.7)	(9.1)	42,966
Debt certificates	5,746	174.2	190.9	2,096
Inter-area positions	44,184	46.2	54.1	30,218
Other liabilities	2,913	38.1	14.2	2,108
Regulatory capital allocated	9,983	13.7	20.4	8,778

(1) Figures at constant exchange rates.

Relevant business indicators	31-12-21	Δ %	Δ % (1)	31-12-20
Performing loans and advances to customers under management (2)	61,588	6.7	11.3	57,704
Non-performing loans	1,417	11.2	63.8	1,275
Customer deposits under management (2)	37,445	(11.5)	(9.9)	42,313
Off-balance sheet funds (3)	1,249	21.3	28.1	1,030
Efficiency ratio (%)	30.5			31.4

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Includes mutual funds and other off-balance sheet funds.

Strategic business principles of Corporate & Investment Banking

The area of Corporate & Investment Banking (CIB) strives to "be more relevant to its clients, helping them achieve their business goals, offering wholesale solutions and contributing to a more sustainable future" and to achieve this it is based on 4 principles:

1. Globality: turn CIB's global presence into a competitive advantage to expand its business, capturing the full potential of its international clients. CIB's cross-border business is an excellent indicator for measuring this value creation, generating tangible results, as evidenced by the year-on-year increase in revenues generated by this business in 2021 (+6%).
2. Consulting capabilities with in-depth knowledge of the industry, which have enabled CIB to generate new growth opportunities. This represents a year-on-year increase in revenues of 45% in 2021, although it will continue to increase in the forthcoming years.
3. Sustainability: CIB has taken advantage of the massive change in industries, actively advising and financing, as stated in the second strategic priority of the BBVA Group, "helping our clients in their transition to a sustainable future". Proof of this is the significant year-on-year increase of 78% in sustainable channelled funds as of December 31, 2021.
4. Robust operating model: these three levers are based on a model of operational excellence that helps CIB achieve the highest level of compliance and internal control for the business: (I) optimize capital; (II) continuously seek efficiency improvements (the 30.5% efficiency ratio of CIB at the end of 2021 is well below the average of its European and American competitors); and (III) proactively manage CIB's talent, which is fundamental to the business.

Activity

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 changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in 2021 were:

- Lending activity (performing loans under management) recorded a growth of (11.3%) in the year, standing at the end of December 2021 well above the level prior to the outbreak of the pandemic in March 2020, showing clear signs of recovery, especially in the second half of 2021, which has proved to be a complex year in terms of activity due to the competitive environment, excess liquidity and difficulties in renewing financing lines pre-approved in 2020. By geographical areas, Turkey, Asia and, to a lesser extent, South America showed a positive evolution.
- Customer funds fell by 9.0% in 2021, due to some transactions originated in the last months of 2020 that had not been renewed in 2021, being this trend widespread in all business areas, except for Mexico and Turkey, which recorded a growth of 22.7% and 44.3%, respectively, in 2021.

Results

CIB generated a net attributable profit of €1,248m in 2021, which represents an increase of 45.3% on a year-on-year basis, thanks to the growth in recurring income and NTI as well as lower provisions for impairment on financial assets, which increased significantly in 2020 due to the COVID-19 pandemic. It should also be noted that all business lines of the CIB area recorded growth, both in income and at the level of net attributable profit, compared to 2020.

The most relevant aspects of the year-on-year evolution in the income statement of Corporate & Investment Banking are summarized below:

- Net interest income registered double-digit growth (+12.2%), supported by the evolution in Spain and Turkey. In addition to the performance of lending activity mentioned above, it is worth noting the commercial effort to adjust the price of certain transactions, one of the strategic focuses of the area in 2021, which has led to an improvement in profitability per transaction. The performance of the Global Markets unit in Spain and Mexico was also relevant.
- Increase in net fees and commissions (+11.1%), mainly due to the performance of investment and transactional banking, the latter benefiting from the reactivation of business in 2021, with relevant agreements in Spain, Asia and Mexico. On the contrary, Global Markets' primary market operations have been slowed down due to lower liquidity needs of the customers. By geographical areas, double-digit growth in Spain, Mexico, South America and Turkey stood out.
- NTI showed a good evolution (+31.2%), mainly due to the performance of the Global Markets unit, due to income from foreign exchange positions in emerging markets, where the macro situation and political uncertainty in many of them favored volatility, boosting business with customers and trading operations, and to the recovery of dividends after the payment restrictions in force in 2020.
- Operating expenses increased by 8.7% in 2021. The year-on-year comparison is affected by the cost containment plans implemented by CIB in 2020 which did not re-occur in 2021 after the return to normality, although the area continues to focus its efforts on vacancy management and discretionary expenses.
- Provisions for impairment on financial assets were significantly lower than in the previous year, driven by the improved outlook, compared to 2020 which was severely affected by provisions related to COVID-19, as well as by lower impacts on individual clients.

3.3 Subsequent events

Between January 1 and February 3, 2022, J.P. Morgan AG, as manager of the first tranche, has acquired 65,272,189 BBVA shares as part of its share buyback program (see Note 4 of the Consolidated Financial Statements).

On February 3, 2022, BBVA announced that its Board of Directors agreed, within the Framework Program, to carry out a second buyback program (the "Second Tranche") aimed at reducing BBVA's share capital, for a maximum amount of €2,000 million 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. The implementation of the Second Tranche, which will also be executed externally through a lead-manager, will begin after the end of the implementation of the First Tranche and shall end no later than October 15, 2022.

On January 3, 2022, it was announced that a cash distribution in the amount of €0.23 gross per share as shareholder remuneration in relation to the Group's result in the 2021 financial year was expected to be submitted to the relevant governing bodies of BBVA for consideration.

From January 1, 2022 to the date of preparation of these Consolidated Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

4. Risk management

4.1. General risk management and control model

The BBVA Group has a general risk management and control model (hereinafter, the "Model") that is appropriate for its business model, its organization, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the management and risk control strategy and policy defined by the corporate bodies of BBVA (considering sustainability specifically) and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times.

The Model, for which the Group's Chief Risk Officer (CRO) is responsible and that must be updated or reviewed at least annually, is fully applied in the Group and it comprises the following basic elements:

- Governance and organization
- Risk Appetite Framework
- Assessment, monitoring and reporting
- Infrastructure.

The Group promotes the development of a risk culture that ensures a consistent application of the Model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

4.1.1 Governance & organization

The risk governance model in the BBVA Group is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

Thus, and as explained below, the corporate bodies are responsible for approving the risk strategy and the general policies for the different types of risks. Global Risk Management (hereinafter, GRM) and Regulation & Internal Control (including, among other areas, Non-Financial Risks) are the functions responsible for its implementation and development, with the appropriate reporting to corporate bodies.

Responsibility for day-to-day management of risks falls on business and corporate areas, the activities of which adhere to the general policies, regulation, infrastructures and controls that, based on the framework set by corporate bodies, are defined by GRM and Regulation & Internal Control in their corresponding areas of responsibility.

To carry out this work adequately, the financial risks function in the BBVA Group has been set up as a single, global function and independent from commercial areas.

The head of the risks function at an executive level, with respect to financial risks, is the Group's Chief Risk Officer (CRO), 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, 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 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 an 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 committee. 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 (hereinafter, CRC), on the issues detailed below, and by the Executive Committee (hereinafter, 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.

The involvement of the corporate bodies of BBVA in the control and management of the risks of the Group is detailed below:

Board of Directors

The Board of Directors is responsible for establishing the risk strategy of the Group and, in this role, it determines the control and risk management policy, through the following documents:

- The Risk Appetite Framework of the Group, which includes in the one hand the risk appetite statement of the Group, that is, the general principles governing the risk strategy of the Group and its target profile; and, on the other hand, and based on the above mentioned risk appetite statement, a set of quantitative metrics (core metrics, and their corresponding statements, and by type of risk metrics), reflecting the risk profile of the Group;
- the framework of management policies of the different types of risk to which the Bank is or could be exposed, which contain the basic lines for managing and controlling risks in a uniform way across the Group and consistently with the Model and Risk Appetite Framework;
- and the Model.

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 2021, the CRC has held 22 meetings.

Executive Committee

In order to have a complete and comprehensive view of the progress of the businesses of the Group 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.

Chief Risk Officer of the Group

The Group's Chief Risk Officer (CRO) is responsible for the management of all the financial risks of the Group with the necessary independence, authority, rank, experience, knowledge and resources. The CRO is appointed by the Board of Directors of BBVA and has direct access to its corporate bodies (Board of Directors, CDP and CRC), with the corresponding regular reporting on the risk situation in the Group.

The GRM area has a responsibility as the unit transversal to all the businesses of the BBVA Group. This responsibility is part of the structure of the BBVA Group, which is formed by subsidiaries based in different jurisdictions, which have autonomy and must comply with their local regulations, but always according to the risk management and control scheme designed by BBVA as the parent company of the BBVA Group.

The Chief Risk Officer of the BBVA Group is responsible for ensuring that the risks of BBVA Group, within the scope of its functions, are managed according to the established model, assuming, among other, the following responsibilities:

- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the risk strategy of the BBVA Group, which includes the Risk Appetite statement of the BBVA Group, core (and their respective statements) and by type of risk metrics, and the Model.
- Ensure the necessary coordination to define and prepare the proposals for the Appetite Framework of the Group companies, and make sure they are applied correctly.
- Define, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the general policies for each type of risk within its scope of responsibility and, as part these, to establish the required specific regulation.
- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose for approval, or approving if within its competence, the risk limits for the geographical areas, business areas and/or legal entities, which shall be consistent with the defined Risk Appetite Framework; it is also responsible for the monitoring, supervision and control of risk limits within its scope of responsibility.
- Submit to the Risk and Compliance Committee the information required to carry out its supervisory and control functions.
- Regular reporting to the corresponding corporate bodies on the situation of those risks of the BBVA Group within its scope of responsibility.
- Identify and assess the material risks faced by the BBVA Group within its scope of responsibility, with an effective management of those risks and, where necessary, with the implementation of the required mitigation measures.
- Early warning to the relevant corporate bodies and the Chief Executive Officer of any material risk within its scope of responsibility that could compromise the solvency of the BBVA Group.
- Ensure, within its scope of responsibility, the integrity of measurement techniques and management information systems and, in general, the provision of models, tools, systems, structures and resources to implement the risk strategy defined by the corporate bodies.
- Promote the risk culture of the BBVA Group to ensure the consistency of the Model in the different countries where it operates, strengthening the cross-cutting model of the risks function.

For decision-making, the Group's Chief Risk Officer has a governance structure for the role that culminates in a support forum, the Global Risk Management Committee (GRMC), which is established as the main executive-level committee on the risks within its remit. Its purpose is to develop the strategies, policies, regulations and infrastructures needed to identify, assess, measure and manage the material risks within its remit that the Group faces in its business activity. This committee is composed by the Chief Risk Officer, who chairs the meetings, and the heads of the Corporate Area of the disciplines of GRM, the "Risk Management Group", "Strategy and Development", "South America and Turkey", and "Risk Internal Control"; and by the heads of GRM in the three most important geographical units and in CIB. The purpose of the GRMC is to propose and challenge, among other issues, the internal regulatory framework of GRM and the infrastructures required to identify, assess, measure and manage the risks faced by the Group in carrying out its businesses and to approve risk limits.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: It is responsible for analyzing and making decisions related to wholesale credit risk admission in specific customer segments of BBVA Group, as well as being informed of the relevant decisions adopted by members of the committee within their scope of decision-making at corporate level.
- Work Out Committee: Its purpose is to be informed about decisions taken under the delegation framework regarding risk proposals concerning clients on Watch List and clients classified as NPL or written-off of certain customer segments of BBVA Group; and the sanction of proposals regarding entries, exits and changes of Watch List, entries and exits in non-performing, unlikely to pay and turns to written off; as well as the approval of other proposals that must be seen in this Committee according to the established thresholds and criteria.
- Asset Allocation Committee: The executive authority responsible for managing the limits by asset class for credit risk, equities and real estate not for own use and by business area and at group level established in the Asset Allocation limits planning exercise, which aims to achieve an optimal combination and composition of portfolios under the restrictions imposed by the Risk Appetite Framework (RAF), 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 Bank.
- 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 Risk Unit Global Committee (CGGMRU): 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 to GMRU activity, and preparing and proposing the corporate regulation of the unit to the GRMC.
- 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.
- Asset Management Global Risk Committee: the purpose of the committee is to develop and coordinate the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure and manage the material risks faced by the institution in the performance of its businesses linked to BBVA Asset Management.
- Global Insurance Risk Committee: its purpose is to serve as the basis for the development of the risk management model and the monitoring of the insurance companies of the BBVA Group by developing and coordinating the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure, monitor and manage the material risks faced by insurance companies.
- Products, Operations and Risks Committee (COPOR): Its purpose is the analysis and decision-making in relation to the operations in the various geographical areas in which Global Markets is present.

Also:

- GRM Continuity Committee: this committee operates under the provisions of the Corporate Continuity Committee for the different Areas. Its purpose is to analyze and make decisions about exceptional crisis situations, with the aim of managing continuity and the restoration of critical GRM processes, minimizing the impact of its operations through the Continuity Plan, which covers crisis management and Recovery Plans.
- The Corporate Committee for Admission of Operational Risk and Product Governance (CCAROyGP) aims to ensure the adequate evaluation of initiatives with significant operational risk (new business, product, outsourcing, process transformation, new systems, etc.) from the perspective of operational risk and approval of the proposed control environment.

Risk units of the corporate area and the business/geographical areas

The risks function is comprised of risk units from the corporate area, which carry out cross-cutting functions, and of risk units of the geographical/business areas.

- The risk units of the corporate area develop and submit to the Group's Chief Risk Officer the different elements required to define the proposal for the Group's Risk Appetite Framework, the general policies, 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 & Responsible Business 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 corporate rules 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 frameworks for mitigating and controlling the risks for which it is responsible.
- 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 risk regulation.

Furthermore, the control activity is developed within a homogeneous methodological framework at a Group level, covering the entire life cycle of financial risk management and carried out under a critical and analytical approach.

The Risk Internal Control team reports the results of its control function to the corresponding heads and teams, promoting the implementation of corrective measures and submitting these assessments and the resolution commitments in a transparent manner to the established levels.

Lastly, and notwithstanding the control responsibility that GRM teams have in the first instance, Risk Internal Control teams promote a control culture in GRM, conveying the importance of having robust processes.

4.1.2 Risk appetite framework

Elements and development

The Group's Risk Appetite Framework approved by the corporate bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives considering the organic evolution of business. These are expressed in terms of solvency, liquidity and funding, and profitability, as well as recurrence of revenue, which are reviewed not only periodically but also if there are any substantial changes in the business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk appetite statement: sets out the general principles of the Group's risk strategy and the target risk profile:

  "The BBVA Group develops a multichannel and responsible universal banking business model, based on values, committed to sustainable development and centred on our customers' needs, focusing on operational excellence and the preservation of adequate security and business continuity.

  BBVA intends to achieve these goals while maintaining a moderate risk profile, so the risk model established aims at ensuring a robust financial position, facilitating its commitment with sustainability and obtaining a sound risk- adjusted profitability throughout the cycle, as the best way to face adverse environments without jeopardizing its strategies.

  BBVA Group's risk management is based on prudent management, and a comprehensive and prospective vision of all risks, to allow us to adapt to the disruptive risks inherent in the banking business. It includes the climate factor, a diversification of portfolios by geographies, asset classes and customer segments, prevention of money laundering and terrorist financing, and the maintenance of a long-term relationship with customers, supporting them in the transition to a sustainable future, to promote profitable growth and recurring generation of value."

- Statements and core metrics: Statements are established, based on the risk appetite statement, specifying the general principles of risk management in terms of solvency, liquidity and funding, profitability and income recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement. Each core metric has three thresholds ranging from usual management of the businesses to higher levels of impairment:
  - Management benchmark: a benchmark that determines a comfortable management level for the Group.
  - Maximum appetite: the maximum level of risk that the Group is willing to accept in its ordinary activity.
  - Maximum capacity: the maximum risk level that the Group could assume, which for some metrics is associated with regulatory requirements.
- Metrics by type of risk: based on the core metrics and their thresholds, a number of metrics are determined for each type of risk, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite threshold.

In addition to this Framework, statements are established that include the general principles for each risk type, as well as a level of management limits that is defined and managed by the areas responsible for the management of each type of risk in the development of the structure of metrics by type of risk, in order to ensure that the early management of risks complies with that structure and, in general, with the established Risk Appetite Framework.

Each significant geographical area (that is, those representing more than 1% of the assets or operating income of the BBVA Group) has its own Risk Appetite framework, consisting of its local Risk Appetite statement, core statements and metrics, and metrics by type of risk, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding corporate bodies of each entity. This Appetite Framework is supplemented by statements for each risk type and has a limit structure in line and consistent with the above.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into, the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Moreover, and for the purposes of monitoring at local level, the Chief Risks Officer of the geographical and/or business area regularly reports on the evolution of the metrics of the Local Risk Appetite Framework to the corporate bodies, as well as to the relevant top-level local committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

Within the issuing process of the Risk Appetite Framework, Risk Internal Control carries out, within the scope of the GRM area the effective challenge of the Framework proposal prior to its escalation to corporate bodies, which is also documented, and it is extended to the approval of the management limits under which it is developed, also supervising its adequate approval and extension to the different entities of the Group. Likewise, in each significant geographical area, the local Risk Internal Control unit, working in the Risk Management Committee (hereinafter, RMC), carries out an effective challenge of the local Risk Appetite Framework prior to its escalation to local corporate bodies, which is also documented, and extended to the local approval process of the management limits.

Monitoring of the Risk Appetite Framework and management of breaches

So that corporate bodies can develop the risk functions of the Group, the heads of risks at an executive level will regularly report (more frequently in the case of the CRC, within its scope of responsibility) on the evolution of the metrics of the Risk Appetite Framework of the Group, with the sufficient granularity and detail, in order to check the degree of compliance of the risks strategy set out in the Risk Appetite Framework of the Group approved by the Board of Directors.

If, through the monitoring of the metrics and supervision of the Risk Appetite Framework by the executive areas, a relevant deviation or breach of the maximum appetite levels of the metrics is identified, that situation must be reported and, where applicable, the corresponding corrective measures must be submitted to the CRC.

After the relevant review by the CRC, the deviation must be reported to the CDP (as part of its role in the monitoring of the evolution of the risk profile of the Group) and to the Board of Directors, which will be responsible, when applicable, for implementing the corresponding executive measures, including the modification of any metric of the Risk Appetite Framework. For this purpose, the CRC will submit to the corresponding corporate bodies all the information received and the proposals prepared by the executive areas, together with its own analysis.

Notwithstanding the foregoing, once the information has been analyzed and the proposal of corrective measures has been reviewed by the CRC, the CDP may adopt, on grounds of urgency and under the terms established by law, measures corresponding the Board of Directors, but always reporting those measures to the Board of Directors in the first meeting held after the implementation for ratification purposes.

In any case, an appropriate monitoring process will be established (with a greater information frequency and granularity, if required) regarding the evolution of the breached or deviated metric, and the implementation of the corrective measures, until it has been completely redressed, with the corresponding reporting to corporate bodies, in accordance with its risks monitoring, supervision and control functions.

Integration of the Risk Appetite Framework into the management

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

1. The existence of a standardized set of regulations: the corporate risks area defines and proposes the general policies within its scope of action, and develops the additional internal regulation required for the development of those policies and the operating frameworks on the basis of which risk decisions must be adopted within the Group. The approval of the general policies for all types of risks is a responsibility of the corporate bodies of BBVA, while the rest of regulation is defined at an executive level according to the framework of competences applicable at any given time. The Risks units of the geographical and/or business areas comply with this regulation and performing, where necessary, the relevant adaptation to local requirements, in order to have a decision-making process that is appropriate at local level and aligned with the Group's policies.
2. Risk planning, which ensures the integration into the management of the Risk Appetite Framework through a cascade process established to set limits adjusted to the target risk profile. The Risks units of the corporate area and of the geographical and/or business areas are responsible for ensuring the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding, profitability, and recurrence of earnings.
3. A comprehensive management of risks during their life cycle, based on differentiated treatment according to their type.

4.1.3 Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting function at Group level. This function ensures that the model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the Board of Directors, even in adverse scenarios.

This process is integrated in the activity of the Risk units, both of the corporate area and in the geographical and/or business units, together with the units specialized in non-financial risks and reputational risk within the Regulation & Internal Control and Communications & Responsible Business areas respectively, in order to generate a comprehensive and single view of the risk profile of the Group.

This process is developed through the following phases:

1. Monitoring of the identified risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.
2. Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress testing scenarios (EU-wide stress testing).
3. Response to unwanted situations and proposals for redressing measures to the corresponding levels, in order to enable a dynamic management of the situation, even before it takes place.

4. Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
5. Reporting: complete and reliable information on the evolution of risks to corporate bodies and senior management, in accordance with the principles of accuracy, exhaustiveness, clarity and utility, frequency, and adequate distribution and confidentiality. The principle of transparency governs all the risk information reporting process.

4.1.4 Infrastructure

For the implementation of the Model, the Group has the resources required for an effective management and supervision of risks and for achieving its goals. In this regard, the Group's risks function:

1. Has the appropriate human resources in terms of number, ability, knowledge and experience. The profile of resources will evolve over time based on the specific needs of the GRM and Regulation & Internal Control areas, always with a high analytical and quantitative capacity as the main feature in the profile of those resources. Likewise, the corresponding units of the geographical and/or business areas have sufficient means from the resources, structures and tools perspective in order to achieve a risk management process aligned with the corporate model.
2. Develops the appropriate methodologies and models for the measurement and management of the different risk profiles, and the assessment of the capital required to take those risks.
3. Has the technological systems required to: support the Risk Appetite Framework in its broadest definition; calculate and measure the variables and specific data of the risk function; support risk management according to this Model; and provide an environment for storing and using the data required for risk management purposes and reporting to supervisory bodies.
4. Promotes adequate data governance, in accordance with the principles of governance, infrastructure, precision and integrity, completeness, promptness and adaptability, following the quality standards of the internal regulations referring to this matter.

Within the risk functions, both the profiles and the infrastructure and data shall have a global and consistent approach.

The human resources among the countries must be equivalent, ensuring a consistent operation of the risk function within the Group. However, they will be distinguished from those of the corporate area, as the latter will be more focused on the conceptualization of appetite frameworks, operating frameworks, the definition of the regulatory framework and the development of models, among other tasks.

As in the case of the human resources, technological platforms must be global, thus enabling the implementation of the Risk Appetite Framework and the standardized management of the risk life cycle in all countries.

The corporate area is responsible for deciding on the platforms and for defining the knowledge and roles of the human resources. It is also responsible for defining risk data governance.

The foregoing is reported to the corporate bodies of BBVA so they can ensure that the Group has the appropriate means, systems, structures and resources.

4.2 Credit risk

In 2020, following the outbreak of the pandemic, the local authorities of the countries in which the Group operates initiated economic support measures for the management of the COVID-19 crisis, including the granting of relief measures in terms of temporary payment deferrals to customers affected by the pandemic, as well as the granting of loans covered by public guarantees, especially to companies and self-employed workers.

These measures were supported by the rules issued by the authorities of the geographical areas where the Group operates, as well by certain industry agreements, and were intended to ease the temporary liquidity needs of the customers. By the end of the year, the temporary deferral measures had been completed in all the geographical areas.

For the purposes of classifying exposures based on their credit risk, the Group has maintained a rigorous application of IFRS 9 at the time of granting the moratoriums and has reinforced the procedures to monitor credit risk both during their tern and upon their maturity. In this regard, additional indicators were introduced to identify the significant increase in risk that may have occurred in some operations or a set of them and, where appropriate, proceed to classify it in the corresponding risk stage.

Likewise, the indications provided by the European Banking Authority (EBA) have been taken into account, to not consider as refinancing the moratoriums that meet a series of requirements and that have been requested before March 31, 2021, without prejudice to keep the exposure classified in the corresponding risk stage or its consideration as refinancing if it was previously so classified.

In relation to the temporary payment deferrals for customers affected by the pandemic and with the goal of mitigating as much as possible the impact of these measures in the Group, due to the high concentration of its maturities over time, continuous monitoring of the effectiveness of these measures has been carried out in order to verify their compliance and to adapt dynamically to the evolution of the crisis. As of December 31, 2021, the payment deferrals granted by the Group following EBA criteria amounted to €189m.

Calculation of expected losses due to credit risk

To respond to the circumstances generated by the COVID-19 pandemic in the macroeconomic environment, characterized by a high level of uncertainty regarding its intensity, duration and speed of recovery, forward-looking information was updated in the IFRS 9 models to incorporate the best information available at the date of the publication of this report. The estimation of the expected losses was calculated for the different geographical areas in which the Group operates, with the best information available for each of them, considering both the macroeconomic perspectives and the effects on specific portfolios, sectors or specific debtors. The scenarios used consider the various economic measures that have been announced by governments as well as monetary, supervisory and macroprudential authorities around the world.

The classification of vulnerable activities to COVID-19 was established at the outbreak of the pandemic, in order to identify activities susceptible to further deterioration in the Group's portfolio. Based on this classification, management measures were taken, with preventive rating adjustments and restrictive definition of risk appetite. Given the progress made during the course of the pandemic, which has led to the almost complete elimination of restrictions on mobility and the subsequent recovery from these restrictions, consideration is now being given to the specific characteristics of each client over and above their belonging to a particular sector.

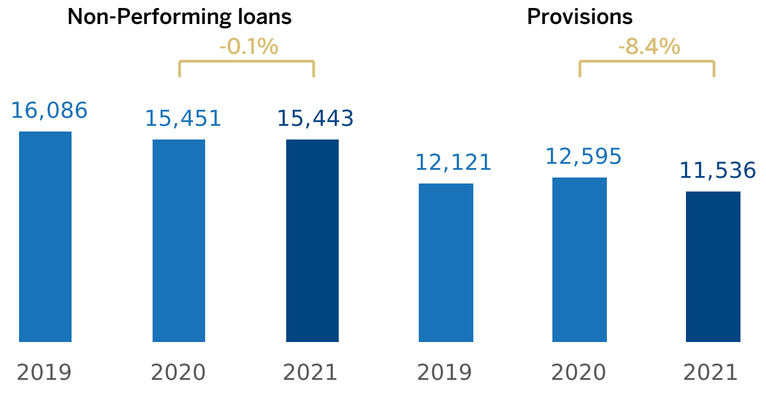
As of December 31, 2021, in order to incorporate those aspects not included in the impairment models, there are management adjustments to the expected losses amounting to €311m for the entire Group, €226m in Spain, €18m in Peru and €68m in Mexico. As of September 30, 2021 this concept amounted to €304m in total, of which €272m were allocated to Spain and €32m to Peru. The variation in the last quarter is due to the provisions in Spain and Peru, as well as the aforementioned additional provision in Mexico due to the anticipation of the potential impairment associated with support products after the expiry date of the deferrals.

BBVA Group's credit risk indicators

The situation generated by the pandemic continued to affect BBVA Group's main risk indicators in 2021. In addition, in the fourth quarter of 2021, the Group incorporated additional impairment indicators into its credit risk management processes to be consistent with the new definition of default (NDoD) in accordance with Article 178 of Regulation (EU) No 575/2013 (CRR) that applies in the prudential area. The incorporation of these complementary indicators has led to a one-off increase in the balance of non-performing loans and thus an effect on the NPL ratio and the NPL coverage ratio. In view of the above and the recurring trend, the Group's main credit risk indicators behaved as follows:

- Credit risk has increased by 1.2% in the quarter (+3.5% at constant exchange rates). At constant exchange rates and at the Group level, there was a generalized increase in this metric during the quarter, led by Spain and Rest of Business (originating from certain wholesale operations), with increases in Mexico, Turkey and South America (highlighting Argentina and Colombia). Compared to the end of December 2020, credit risk increased by 2.5% (+5.3% at constant exchange rates, with growth in all geographical areas except Chile and Peru).
- The balance of non-performing loans (NPL) increased in the fourth quarter of the year (+3.9% in current terms and 5.8% at constant rates) in practically all geographical areas, as a result of the aforementioned implementation of the new definition of default. Compared to the end of 2020, the balance decreased by 0.1% (+3.6% at constant exchange rates) with decreasing NPL flows in the first three quarters of the year supported by contained inflows and positive recoveries, and a fourth quarter impacted by the implementation of the aforementioned new definition of default.

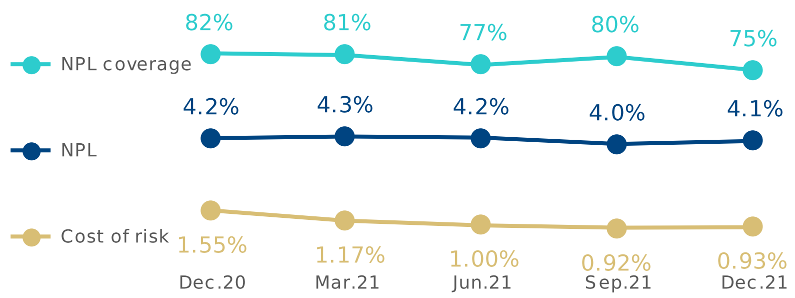
NON-PERFORMING LOANS [1] AND PROVISIONS [1] (MILLIONS OF EUROS)



[1] Excludes BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

- The NPL ratio stood at 4.1% as of December 31, 2021 (4.0% in September 2021), 10 basis points below the figure recorded in December 2020. Excluding the effect of introduction of the new definition of default, the NPL ratio would have been around 3.8% as of December 2021, which is 45 basis points below the figure recorded at the end of 2020.
- Loan-loss provisions decreased by 8.4% compared to December 2020 (-3.0% in the quarter) as a result of the NPL management carried out during the year coupled with an increase in write-offs.
- The NPL coverage ratio amounted to 75%, -682 basis points in contrast with the end of 2020. Compared to the previous quarter, the NPL coverage ratio was -533 basis points lower.
- The cumulative cost of risk as of December 30, 2021 stood at 0.93% (62 basis points below the end of 2020 and +1 basis point compared to September 2021).

NPL [1] AND NPL COVERAGE [1] RATIOS AND COST OF RISK [1] (PERCENTAGE)



(1) Excluding BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

CREDIT RISK [1] (MILLIONS OF EUROS)

	31-12-21	30-09-21	30-06-21	31-03-21	31-12-20
Credit risk	**376,011**	**371,708**	**370,348**	**365,292**	**366,883**
Non-performing loans	15,443	14,864	15,676	15,613	15,451
Provisions	11,536	11,895	12,033	12,612	12,595
NPL ratio (%)	**4.1**	**4.0**	**4.2**	**4.3**	**4.2**
NPL coverage ratio (%) [2]	**75**	**80**	**77**	**81**	**82**

General note: figures excluding BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, for the periods of 2021 and December 2020, and the classification of BBVA Paraguay as non-current assets and liabilities held for sale for December 2020.

(1) Includes gross loans and advances to customers plus guarantees given.

(2) The NPL coverage ratio includes the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). Excluding these allowances, the NPL coverage ratio would stand at 73% as of December 31, 2021 and 79% as of December 31, 2020.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	4Q21 [1]	3Q21	2Q21	1Q21	4Q20
Beginning balance	**14,864**	**15,676**	**15,613**	**15,451**	**15,006**
Entries	2,875	1,445	2,321	1,915	2,579
Recoveries	(1,235)	(1,330)	(1,065)	(921)	(1,016)
Net variation	**1,640**	**115**	**1,256**	**994**	**1,563**
Write-offs	(832)	(848)	(1,138)	(796)	(1,149)
Exchange rate differences and other	(228)	(80)	(55)	(36)	31
Period-end balance	**15,443**	**14,864**	**15,676**	**15,613**	**15,451**
Memorandum item:					
Non-performing loans	14,657	14,226	15,013	14,933	14,709
Non performing guarantees given	786	637	663	681	743

General note: figures excluding BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021, for the periods of 2021 and the fourth quarter of 2020, and the classification of BBVA Paraguay as non-current assets and liabilities held for sale for the the fourth quarter of 2020.

(1) Preliminary data.

4.3 Market risk

For further information, see Note 7.4 of the Consolidated Financial Statements.

4.4 Structural risks

Liquidity and funding

Liquidity and funding management at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing. In this context, it is important to notice that, given the nature of BBVA's business, the funding of lending activity is fundamentally carried out through the use of stable customer funds.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution strategy: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity and funding (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

In view of the initial uncertainty caused by the outbreak of COVID-19 in March 2020, different central banks provided a joint response through specific measures and programs, some of which have been extended into 2021 to facilitate the financing of the real economy and the provision of liquidity in the financial markets, supporting the soundness of liquidity buffers in all geographical areas.

The BBVA Group maintains a solid liquidity position in every geographical area in which it operates, with liquidity ratios well above the minimum required:

- The BBVA Group's liquidity coverage ratio (LCR) remained comfortably above 100% throughout 2021, and stood at 165% as of December 31, 2021. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no type of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 213%.
- The net stable funding ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, demands banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. The BBVA Group's NSFR ratio, calculated based on the criteria established in the Regulation (UE) 2019/876 of the European Parliament and of the Council of May 20, 2019, with entry into force in June 2021, stood at 135% as of December 31, 2021.

The breakdown of these ratios in the main geographical areas in which the Group operates is shown below:

LCR AND NSFR RATIOS (PERCENTAGE. 31-12-21)

	Eurozone [(1)]	Mexico	Turkey	South America
LCR	190	245	211	All countries >100
NSFR	126	149	162	All countries >100

[(1)] Perimeter: Spain + the rest of the Eurozone where BBVA has presence.

One of the key elements in BBVA's Group liquidity and funding management is the maintenance of large high quality liquidity buffers in all the geographical areas where the Group operates. In this respect, the Group has maintained for the last 12 months an average volume of high quality liquid assets (HQLA) accounting to €138,2 billion, among which, 93% correspond to maximum quality assets (LCR Tier 1).

The most relevant aspects related to the main geographical areas are the following:

- In the Eurozone, BBVA has continued to maintain a sound position with a large high-quality liquidity buffer. During 2021, commercial activity has drawdown liquidity amounting to approximately €9 billion due to the increase in lending activity, especially in the last quarter of the year, as well as the decrease in the volume of deposits, mainly wholesale. It should also be noted that in the second quarter of 2021, the payment of the BBVA USA sale transaction was collected. In addition, in March 2021, BBVA S.A. took part in the TLTRO III liquidity window program to take advantage of the improved conditions announced by the European Central Bank (ECB) in December 2020, with an amount drawn of €3.5 billion that, together with the €34.9 billion available at the end of December 2020 , amount to €38.4 billion at the end of December 2021.
- In BBVA Mexico, commercial activity has provided liquidity between January and December 2021 in the amount of approximately 73 billion Mexican pesos, derived from a higher growth in customer funds compared to the growth in lending activity. This increased liquidity is expected to be reduced due to the recovery in lending activity expected in 2022. This solid liquidity position has allowed to carry out an efficient policy in the cost of funding, in an environment of higher interest rates. In terms of wholesale issuances, there was no need to refinance any maturities in 2021, having matured in 2021 a subordinated issue amounting to USD 750m and a senior issue amounting to 4,500 million Mexican pesos.
- In the fourth quarter, the Central Bank of the Republic of Turkey made a series of cuts in benchmark rates, despite the increases in the inflation rate, for a total of 400 basis points to 14%, triggering an adverse reaction from the markets and severe currency depreciation. In order to alleviate the depreciation of the currency, during the month of December, the Turkish government implemented a new mechanism to encourage local currency deposits. During 2021, the lending gap in local currency has widened, with a higher increase in loans than in deposits, while the lending gap in foreign currency has narrowed, due to a decline in loans and an increase in deposits. Garanti BBVA continues to maintain a stable liquidity position with comfortable ratios.

- In South America, the liquidity situation remains adequate throughout the region, despite the fact that central banks in the region have started rate hike cycles and withdrawal of stimulus programs that mitigate the impact of the COVID-19 crisis. In Argentina, liquidity in the system and in BBVA continues to increase due to the higher growth in deposits than in loans in local currency. In BBVA Colombia, activity picks up accompanied by the growth in deposits. BBVA Peru maintains solid levels of liquidity, while reducing excess liquidity due to growth in lending activity, combined with a contraction of deposits, following a costs control strategy.

The main wholesale financing transactions carried out by the companies of the BBVA Group are listed below:

- In March 2021, BBVA S.A. issued a senior preferred debt for an amount of €1 billion, with a maturity of 6 years and an option for early redemption after five years. In September 2021, BBVA S.A. issued a floating rate senior preferred bond totaling €1 billion and maturing in 2 years, the fifth issue made by BBVA linked to environmental, social and governance (ESG) criteria. Additionally, in January 2022, BBVA S.A. issued a €1 billion senior non-preferred bond, with a maturity of 7 years and an option for early redemption in the sixth year, with a coupon of 0.875%.
- In Turkey, there have been no issuances in 2021. The Bank renewed its syndicated loans in June and November, indexed to sustainability criteria. On June 2, BBVA Garanti renewed 100% of a syndicated loan, formed by two separate tranches, amounting to USD 279m and €294m, with a 1-year maturity and a cost of Libor +2.50% and Euribor +2.25%, respectively. In November, the Bank renewed 100% of the second tranche of the mentioned loan, for USD 365m and €247m, at a cost of Libor + 2.15% and Euribor + 1.75% respectively.
- In South America, BBVA Uruguay issued in February 2021 the first sustainable bond on the Uruguayan financial market for USD 15m at an initial interest rate of 3.854%.

Foreign exchange

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's capital adequacy ratio and ensure the stability of its income statement.

BBVA maintains its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio surplus. The closing of the sale of BBVA USA in June has modified the Group's CET1 fully-loaded ratio sensitivity to changes in the currencies. The most affected sensitivity by this change has been the U.S. dollar, which stands at around +18 basis points in the face of a 10% depreciation in the currency. The sensitivity of the Mexican peso is estimated at -7 basis points at the end of December 2021 and -1 basis point in the case of the Turkish lira, both currencies estimated against a depreciation of 10%. With regard to coverage levels of the expected results for 2022 is close to 65% in the case of Mexico, 20% in Turkey and 100% in Peru and Colombia.

Interest rate

Interest rate risk management seeks to limit the impact that BBVA may suffer, both in terms of net interest income (short-term) and economic value (long-term), from adverse movements in the interest rate curves in the various currencies in which the Group operates. BBVA carries out this work through an internal procedure, pursuant to the guidelines established by the European Banking Authority (EBA), in order to analyze the potential impact that could derive from a range of scenarios on the Group's different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Of particular relevance are assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates. These assumptions are reviewed and adapted at least once a year to take into account any changes in observed behavior.

At the aggregate level, BBVA continues to maintain a moderate risk profile, in accordance with the established objective, showing positive sensitivity toward interest rate increases in the net interest income. Effective management of structural balance sheet risk has mitigated the negative impact of the downward trend in interest rates and the volatility experienced as a result of the effects of COVID-19, and is reflected in the soundness and recurrence of net interest income.

At the market level, the fourth quarter of 2021, has seen flattening of the main sovereign curves in developed countries (mainly due to higher increases in the short sections of the curve), resulting from biases towards more restrictive monetary policies of central banks in the face of higher inflation levels (especially in the United States). With regard to the emerging world, similar flattening moves, continuing with the rate hike cycle, even accelerating the pace in many of the countries (with the exception of Turkey, which dropped 400 basis points in total at the October, November and December meetings).

By area, the main features are:

- Spain has a balance sheet characterized by a high proportion of variable-rate loans (basically mortgages and corporate lending) and liabilities composed mainly of customer demand deposits. The ALCO portfolio acts as a management lever and hedging for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The balance sheet interest rate risk profile remained stable during the year, showing a positive net interest income sensitivity to 100 basis points increases by the interest rates slightly above 20%.
- On the other hand, the ECB held the marginal deposit facility rate unchanged at -0.50% during the year and maintained the extraordinary support programs created due to the COVID-19 crisis (in December it announced the end in March 2022 of its Pandemic Emergency Purchase Program, which was launched at the outbreak of the pandemic). This has created stability in European benchmark interest rates (Euribor) throughout 2021. In this sense, customer spread keeps pressured by the low interest rates environment.
- Mexico continues to show a balance between fixed and variable interest rates balances. In terms of assets that are most sensitive to interest rate fluctuations, the commercial portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. The ALCO portfolio is invested primarily in fixed-rate sovereign bonds with limited maturities. Net interest income sensitivity continues to be limited, registering a positive impact against 100 basis points increases in the Mexican peso, which is around 2%. The monetary policy rate stands at 5.50%, higher that at the end of 2020 (4.25%), after a 25

basis points reduction during the first quarter of 2021 and increases of 150 basis points since the June meeting. Regarding the consumer spread, an improvement can be appreciated during 2021, a trend which should continue due to the higher interest rates environment.

- In Turkey, the sensitivity of loans, which are mostly fixed-rate but with relatively short maturities, and the ALCO portfolio balance the sensitivity of deposits on the liability side. The interest rate risk is thus limited, both in Turkish lira and in foreign currencies. With regard to benchmark rates, there was an increase of 200 basis points in the first quarter compared to the level seen in December 2020; during the second quarter the benchmark rates remained unchanged; and, in the third and fourth quarters saw a reversal of the trend, with reductions of 100 and 400 basis points, respectively. The customer spread in Turkish lira has improved in 2021 in a volatile environment.
- In South America, the interest rate risk profile remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with limited net interest income sensitivity. In addition, in balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a very low level of risk. Regarding the benchmark rates of the central banks of Peru and Colombia, a rising trend in rates began in the third quarter of 2021, with increases of 225 and 125 basis points, respectively, throughout the second half of the year. There has been little change in customer spreads during the year, which are expected to improve in an environment of higher interest rates.

INTEREST RATES (PERCENTAGE)

	31-12-21	30-09-21	30-06-21	31-03-21	31-12-20	30-09-20	30-06-20	31-03-20
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months [(1)]	(0.58)	(0.55)	(0.54)	(0.54)	(0.54)	(0.49)	(0.38)	(0.42)
Euribor 1 year [(1)]	(0.50)	(0.49)	(0.48)	(0.49)	(0.50)	(0.41)	(0.15)	(0.27)
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	5.50	4.75	4.25	4.00	4.25	4.25	5.00	6.50
CBRT (Turkey)	14.00	18.00	19.00	19.00	17.00	10.25	8.25	9.75

[(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 section 2.3.5 of the Chapter "Report on climate change and other environmental and social issues” 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, procedures must be in place to evaluate operational events and mechanisms and to record the operational losses that may be caused by the same.
- Evaluate key public events that have generated operational risk losses at other institutions in the financial sector and support, where appropriate, the implementation of measures as required to prevent them from occurring at the Group.
- Identify, analyze and attempt to quantify events with a low probability of occurrence and a high impact, which by their exceptional nature may not be included in the loss database; or if they are, feature with impacts that are not very representative for the purpose of valuing possible mitigation measures.
- Have an effective system of governance in place, where the functions and responsibilities of the corporate areas and bodies involved in operational risk management are clearly defined.
- Operational risk management must be performed in coordination with management of other risk, taking into consideration credit or market events that may have an operational origin.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Operational risk management parameters

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics and limits:

- Economic capital calculated with the operational losses database of the Group, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the Group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- ORI metrics (Operational Risk Indicator: operational risk losses vs. gross income) broken down by geography, business area and type of risk.
- 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 existing, products, activities, processes or systems, as well as purchasing decisions (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 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 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. The aim is to support rapid decision-making with foresight, for the mitigation or assumption of the main risks.

Each geography has a Corporate Assurance Committee chaired by the Country Manager and whose main functions are:

- 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

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. Following the result of the assessment carried out in 2020, 17 mitigation action plans have been conducted during 2021.

Identification of the Reputational Risk

The Responsible Business 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, where appropriate, an assessment of the foreseeable impact on BBVA's reputation,

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

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 analyzes 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 (RAF) variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Group's business. These risks are included in the following blocks:

Risk associated with COVID-19 pandemic

The COVID-19 (coronavirus) pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates. Despite the gradual improvement experienced in 2021 driven by the increase in the rate of vaccination, new waves of contagion continue to be a source of concern and the emergence of new strains remains a risk. Among other challenges, these countries are still dealing with high unemployment levels, weak activity, supply disruptions and increasing inflationary pressures, while public debt has increased significantly due to the support and spending measures implemented by the government authorities. Furthermore, there has been an increase in loan losses from both companies and individuals, which has so far been slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures. Likewise, volatility in the financial markets has affected exchange rates - mainly in emerging economies- and the value of assets and investments, which has adversely affected the Group's results in the past, and could do so again. There are still uncertainties about the final future impact of the COVID-19 pandemic, mainly if there is an increase in infections caused by the new variants of the coronavirus.

Furthermore, the Group has been and may be affected during the following quarters or years by the measures or recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the modification of prudential requirements, the temporary suspension of dividend payments, the modification of the deferral of monthly installments for certain loans and the granting of guarantees or public guarantees to new credit operations for companies and self-employed persons, the adoption of further similar measures or the termination of those already approved, as well as any changes in financial assets purchase programs by the ECB.

Since the outbreak of the pandemic, the Group has experienced a decline in its activity. For example, the granting of new loans to individuals has generally decreased. In addition, the Group faces various risks, such as an increased risk of volatility in the value of its assets (including financial instruments valued at fair value, which may suffer significant fluctuations) and of the securities held for liquidity reasons, a possible increase in the NPL ratio and risk-weighted assets, as well as a negative impact on the Group's cost of financing and on its access to financing (especially in an environment where credit ratings are affected). Following the generalized lifting of mobility restrictions and the increasing resumption of normal operations, greater emphasis is being placed on the particular circumstances of each customer, in addition to its respective industry or sector.

Furthermore, the pandemic could continue to adversely affect the business and transactions of third parties that provide critical services to the Group and, in particular, the higher demand and/or the lower availability of certain resources could, in some cases, make it more difficult for the Group to maintain the required service levels. In addition, the widespread use of remote work has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

In summary, while the COVID-19 pandemic had adverse effects on the Group's results and capital base during 2020, these were mitigated throughout 2021, with improvements in the global economic background leading to a strong improvement in 2021 results.

Macroeconomic and geopolitical risks

In 2021 the global economy has grown significantly, recovering in part from the crisis caused by the pandemic, which caused a sharp fall in global GDP in 2020. The significant upturn in global growth has been due to progress in the vaccination against COVID-19 and important economic stimuli adopted by public authorities.

Activity indicators show, however, that the economic recovery process has lost momentum in recent months. The recent slowdown in economic growth is taking place in an environment marked by a sharp increase in infections caused by new variants of the COVID-19, although the increasing immunization of the world population has helped to generally prevent the adoption of mobility restrictions, which would have had a greater impact on the economy.

The effects of reduced production due to the pandemic and its persistence, coupled with fiscal stimuli and strong demand for goods, once restrictions have been lifted, contribute to maintaining the problems in global supply chains observed since the beginning of 2021 which, in addition to negatively affecting economic activity, generate significant upward pressure on prices.

Against this backdrop, annual inflation in December 2021 stood at 7.0% in the United States and 5.0% in the Eurozone. In both geographical areas, long-term inflation expectations from markets and surveys have been adjusted upwards, although in the case of the Eurozone they remain generally below the European Central Bank's (hereinafter, ECB) 2% target.

High inflation rates and their increased persistence have put pressure on central banks to withdraw monetary stimuli earlier than they had originally anticipated. The United States Federal Reserve, in particular, has begun the rollback in its bond-buying program and has suggested that monetary policy interest rates will adjust upwards earlier and faster than expected by financial markets and financial analysts, and also that a downsizing of its balance sheet may soon begin. In the Eurozone, the ECB will complete the pandemic emergency purchase program (PEPP) in March 2022. Although the asset purchase program (APP) is maintained, asset purchases will be moderated over the course of 2022. However, unlike the Federal Reserve, the ECB has continued to maintain that it rules out an increase in benchmark interest rates in 2022.

According to BBVA Research, the global economic recovery process is expected to continue in the coming months, albeit at a slightly slower pace than expected in autumn of 2021, due to the persistence of the pandemic, but also due to a higher-than-estimated impact of supply chain problems and inflationary pressures. All this against a background of reduced fiscal and monetary stimulus. GDP growth would therefore moderate, from an estimated 5.6% in 2021 to about 4.2% in 2022 in the United States, from 5.1% in 2021 to 3.7% in 2022 in the Eurozone and from 8.0% in 2021 to 5.2% in 2022 in China. The likely rise in monetary policy interest rates in the United States, which could reach 1.25% by the end of 2022, as well as a progressive control of the pandemic and a moderation of supply chain problems, would allow inflation to be moderated throughout the year; although inflation is expected to remain high, particularly in the United States. Risks arising from this economic scenario expected by BBVA Research are significant and are biased downwards in the case of activity, and include more persistent inflation, financial turbulence caused by a more aggressive withdrawal of monetary stimuli, the emergence of new variants of the coronavirus that bypass current vaccines, a more intense slowdown in the Chinese economy, as well as social and geopolitical tensions. Likewise, the countries in which the Group operates face various idiosyncratic risks, beyond those related to the global environment.

Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

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 entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, the internal control model, the Code of Conduct, the Corporate Principles in tax matters and Responsible Business Strategy of the Group.

Business, operational and legal risks

New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

Regarding legal risks, the financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are usually 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 other government procedures and investigations, such as those carried out by the antitrust authorities in certain countries which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others. In addition, the regulatory framework, in the jurisdictions in which the Group operates, is evolving towards a supervisory approach more focused on the opening of sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain judgments in favor of consumers handed down by national and supranational courts (with regards to matters such as credit cards and mortgage loans), have increased significantly in recent years and this trend could continue in the future. The legal and regulatory actions and proceedings faced by other financial institutions in relation to these and other matters, especially if such actions or proceedings result in favorable resolutions for the consumer, could also adversely affect the Group.

All of the above may result in a significant increase in operating and compliance costs or even a reduction of revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the procedural or management costs for the Group) could damage the Group's reputation, generate a knock-on effect or otherwise adversely affect the Group.

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

As of December 31, 2021, the Group had €623 million in provisions for the proceedings it is facing (included in the line "Provisions for litigation and pending tax cases" in the consolidated balance sheet) (see Note 24), of which €533 million correspond to legal contingencies and €90 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

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

5. Other information

5.1 Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some Alternative Performance Measures (hereinafter APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en) as well as the statement published by the ESMA on May 20, 2020 (ESMA 32-63-972), about implications of the COVID-19 outbreak on the half-yearly financial reports. The guidelines mentioned before are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the guidelines, 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 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 consolidated income statements of the consolidated Financial Statements and the consolidated management income statements, shown throughout this report, for the years 2021 and 2020.

In 2021, the main difference between them is the treatment of the cost related to the restructuring process in 2021 which, for management purposes, are included in a single line, net of taxes, of the income statement called "Net cost related to the restructuring process", compared to the treatment in the consolidated Financial Statements, which record the gross impacts and their tax effect in the corresponding headings.

In 2020, the main difference between them derives from the capital gains resulting from the materialization of the agreement with Allianz in that year which, for management purposes, are included in a single line, net of taxes, of the income statement called "Corporate operations", compared to the treatment in the consolidated Financial Statements, which record the gross impact on the line "Gains (losses) from non-current assets and disposable groups of items classified as held for sale not qualifying as discontinued operations" and its corresponding tax effect on the line "Tax expense or income related to profit or loss from continuing operations".

Additionally, for 2021 and 2020, there is a difference in the positioning of the results generated by BBVA USA and the rest of the companies included in the sale agreement to PNC until its closing, once the mandatory authorizations have been obtained, 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 year" 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 year", as they are included in a line below it, as can be seen in the following tables.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS. 2021 (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT	2021	ADJUSTMENTS	2021	CONSOLIDATED MANAGEMENT INCOME STATEMENT
NET INTEREST INCOME	**14,686**	**—**	**14,686**	**Net interest income**
Dividend income	176			(*)
Share of profit or loss of entities accounted for using the equity method	1			(*)
Fee and commission income	6,997		6,997	Fees and commissions income
Fee and commission expense	(2,232)		(2,232)	Fees and commissions expenses
	4,765	—	4,765	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	134			
Gains (losses) on financial assets and liabilities held for trading, net	341			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	432			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	335			
Gains (losses) from hedge accounting, net	(214)			
Exchange differences, net	883			
	1,910	—	1,910	Net trading income
Other operating income	661			
Other operating expense	(2,041)			
Income from insurance and reinsurance contracts	2,593			
Expense from insurance and reinsurance contracts	(1,685)			
	(295)	—	(295)	Other operating income and expenses
GROSS INCOME	**21,066**	**—**	**21,066**	**Gross income**
Administration costs	(8,296)		(9,530)	Operating expenses (**)
Personnel expense	(5,046)	—	(5,046)	Personnel expenses
Other administrative expense	(3,249)	—	(3,249)	Other administrative expenses
Depreciation and amortization	(1,234)	—	(1,234)	Depreciation
	11,536	**—**	**11,536**	**Operating income**
Provisions or reversal of provisions	(1,018)	754	(264)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,034)	—	(3,034)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**7,484**	**754**	**8,238**	
Impairment or reversal of impairment of investments in joint ventures and associates	—			
Impairment or reversal of impairment on non-financial assets	(221)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	24			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(40)			
	(237)	240	2	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**7,247**	**994**	**8,240**	**Profit (loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(1,909)	(298)	(2,207)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**5,338**	**696**	**6,034**	**Profit (loss) for the year**
Profit (loss) after tax from discontinued operations	280	(280)		
PROFIT (LOSS) FOR THE YEAR	**5,618**	**416**	**6,034**	**Profit (loss) for the year**
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**
		280	280	Profit (loss) after tax from discontinued operations
		(696)	(696)	Net cost related to the restructuring process
ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,653**	**—**	**4,653**	**Net attributable profit (loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements

(**) Depreciations included.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS. 2020 (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT		ADJUSTMENTS	CONSOLIDATED MANAGEMENT INCOME STATEMENT	
	2020		2020	
NET INTEREST INCOME	**14,592**	**—**	**14,592**	**Net interest income**
Dividend income	137			(*)
Share of profit or loss of entities accounted for using the equity method	(39)			(*)
Fee and commission income	5,980		5,980	Fees and commissions income
Fee and commission expense	(1,857)		(1,857)	Fees and commissions expenses
	4,123	—	4,123	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	139			
Gains (losses) on financial assets and liabilities held for trading, net	777			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	208			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	56			
Gains (losses) from hedge accounting, net	7			
Exchange differences, net	359			
	1,546	—	1,546	Net trading income
Other operating income	492			
Other operating expense	(1,662)			
Income from insurance and reinsurance contracts	2,497			
Expense from insurance and reinsurance contracts	(1,520)			
	(95)	—	(95)	Other operating income and expenses
GROSS INCOME	**20,166**	**—**	**20,166**	**Gross income**
Administration costs	(7,799)		(9,088)	Operating expenses (**)
Personnel expense	(4,695)	—	(4,695)	Personnel expenses
Other administrative expense	(3,105)	—	(3,105)	Other administrative expenses
Depreciation and amortization	(1,288)	—	(1,288)	Depreciation
	11,079	**—**	**11,079**	**Operating income**
Provisions or reversal of provisions	(746)	—	(746)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(5,179)	—	(5,179)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**5,153**	**—**	**5,153**	
Impairment or reversal of impairment of investments in joint ventures and associates	(190)			
Impairment or reversal of impairment on non-financial assets	(153)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(7)			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	444			
	94	(435)	(341)	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**5,248**	**(435)**	**4,813**	**Profit (loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(1,459)	130	(1,328)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**3,789**	**(304)**	**3,485**	**Profit (loss) for the year**
Profit (loss) after tax from discontinued operations	(1,729)	1,729		
PROFIT (LOSS) FOR THE YEAR	**2,060**	**1,424**	**3,485**	**Profit (loss) for the year**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(756)**	**—**	**(756)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,305**	**1,424**	**2,729**	**Net attributable profit (loss) excluding non-recurring impacts**
		(1,729)	(1,729)	Profit (loss) after tax from discontinued operations
		304	304	Corporate operations
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,305**	**—**	**1,305**	**Net attributable profit (loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements

(**) Depreciations included.

Profit (loss) for the year

Explanation of the formula: The profit (loss) for the year is the profit (loss) for the year 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 of BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: This measure is commonly used, not only in the banking sectors, for homogeneous comparison purposes.

Profit (loss) for the year					
			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
(Millions of euros)	+	Profit (loss) after tax from continued operations	5,338	3,789	5,103
(Millions of euros)	+	Profit (loss) after tax from discontinued operations [1]	280	(1,729)	(758)
	=	**Profit (loss) for the year**	**5,618**	**2,060**	**4,345**

[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 year

Explanation of the formula: The adjusted profit (loss) for the year is the profit (loss) from continued operations for the period from the Group's consolidated income statement, excluding those extraordinary items 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 year					
			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
(Millions of euros)	+	Profit (loss) after tax from continued operations	5,338	3,789	5,103
(Millions of euros)	-	Net capital gains from the bancassurance operation	—	304	—
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—	—
	=	**Adjusted profit (loss) for the year**	**6,034**	**3,485**	**5,103**

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 of BBVA USA and the rest companies in the United States sold to PNC on June 1, 2021. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Net attributable profit (loss)					
			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
(Millions of euros)	+	Net attributable profit (loss) from continued operations	4,373	3,033	4,270
(Millions of euros)	+	Net attributable profit (loss) from discontinued operations [1]	280	(1,729)	(758)
	=	**Net attributable profit (loss)**	**4,653**	**1,305**	**3,512**

[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)

Explanation of the formula: The adjusted net attributable profit (loss) is the net attributable profit (loss) of the Group's consolidated income statement from continued operations excluding those extraordinary items 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.2021	Jan.-Dec.2020	Jan.-Dec.2019
(Millions of euros)	+	Net attributable profit (loss) from continued operations	4,373	3,033	4,270
(Millions of euros)	-	Net capital gains from the bancassurance operation	—	304	—
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—	—
	=	**Adjusted net attributable profit (loss)**	**5,069**	**2,729**	**4,270**

Net attributable profit (loss) excluding corporate operations for AVR

Explanation of the formula: The results are calculated taking into account the amount of the Group's recurring results, from which, in 2021, the estimated savings, after tax, resulting from the restructuring process carried out at BBVA S.A., are deducted. In 2020, the goodwill impairment in the United States and the net capital gains from the bancassurance operation with Allianz are adjusted.

Relevance of its use: This metric is commonly used in the banking sector. In addition, it is one of the metrics used for the purposes of the Group's AVR (Annual Variable Remuneration).

Net attributable profit (loss) excluding corporate operations for AVR

			Jan.-Dec.2021	Jan.-Dec.2020
(Millions of euros)	+	Net attributable profit (loss)	4,653	1,305
(Millions of euros)	-	BBVA USA and the rest of the Companies in the United States sold to PNC adjustments [(1)]	280	(2,084)
(Millions of euros)	-	Net capital gains from the bancassurance operation	—	304
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—
(Millions of euros)	-	Net savings associated with the restructuring process	41	—
	=	**Net attributable profit (loss) excluding corporate operations for AVR**	**5,028**	**3,084**

[(1)] Include the results generated by BBVA USA and the rest of the companies in the United States until its sale to PNC on June 1, 2021 for the period January - December 2021 and the goodwill impairment in the United States in the first quarter of 2020 for the period January - December 2020.

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income}}$$

Explanation of the formula: The numerator is the net attributable profit (loss) previously defined in these alternative performance measures, If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

Average accumulated other comprehensive income is the moving weighted average of "Accumulated other comprehensive income", which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

ROE			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Net attributable profit (loss)	4,653	1,305	3,512
Denominator (Millions of euros)	+	Average shareholder's funds	60,030	57,626	58,888
	+	Average accumulated other comprehensive income	(15,396)	(12,858)	(9,921)
	=	**ROE**	**10.4 %**	**2.9 %**	**7.2 %**

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.

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.

Adjusted ROE			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Adjusted net attributable profit (loss)	5,069	2,729	4,270
Denominator (Millions of euros)	+	Average shareholder's funds	60,030	57,626	58,888
	+	Average accumulated other comprehensive income	(15,396)	(12,858)	(9,921)
	=	**Adjusted ROE**	**11.4 %**	**6.1 %**	**8.7 %**

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income - Average intangible assets}}$$

Explanation of the formula: The numerator "Net attributable profit (loss)" and the items in the denominator "Average intangible assets" and "Average accumulated other comprehensive income" are the same items and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Net attributable profit (loss)	4,653	1,305	3,512
Denominator (Millions of euros)	+	Average shareholder's funds	60,030	57,626	58,888
	+	Average accumulated other comprehensive income	(15,396)	(12,858)	(9,921)
	-	Average intangible assets	2,265	2,480	2,824
	-	Average intangible assets from BBVA USA and BBVA Paraguay [(1)]	897	2,528	5,481
	=	ROTE	11.2 %	3.3 %	8.6 %

[(1)] BBVA Paraguay includes 4 millions of euros as of January-December 2020 and January-December 2019.

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 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.

Average intangible assets are the intangible assets on the balance sheet, excluding the assets from BBVA USA and the rest companies in the United States included in the sale agreement signed with PNC, whose sale took place on June 1, 2021. 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.

Adjusted ROTE			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Adjusted net attributable profit (loss)	5,069	2,729	4,270
Denominator (Millions of euros)	+	Average shareholder's funds	60,030	57,626	58,888
	+	Average accumulated other comprehensive income	(15,396)	(12,858)	(9,921)
	-	Average intangible assets	2,265	2,480	2,824
	-	Average intangible assets from BBVA Paraguay	—	4	4
	=	Adjusted ROTE	12.0 %	6.5 %	9.3 %

RORC for AVR

The RORC (return on regulatory capital) measures the return on manageable regulatory capital that should be maintained to reach the CET1 fully-loaded target ratio. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss) excluding corporate transactions for AVR}}{\text{Average assigned regulatory capital}}$$

Explanation of the formula: The numerator is the net attributable profit (loss) excluding corporate transactions for AVR, described above. The denominator is the average assigned regulatory capital, defined as the manageable capital that should be held at Group level to reach the CET1 fully-loaded target ratio. If the described metric is presented on a date prior to the end of the year, the numerator will be presented on an annualized basis.

Relevance of its use: This metric is commonly used in the banking sector. In addition, it is one of the metrics used for the purposes of the Group’s AVR (Annual Variable Remuneration).

RORC for AVR			Jan.-Dec.2021	Jan.-Dec.2020
Numerator (Millions of euros)	=	Net attributable profit (loss) excluding corporate transactions for AVR	5,028	3,084
Denominator (Millions of euros)	=	Average assigned regulatory capital	35,837	45,621
	=	RORC for AVR	14.03%	6.76%

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Profit (loss) for the year}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the profit (loss) for the year, previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized.

Average total assets are taken from the Group's consolidated balance sheet. The average balance is calculated as explained for average shareholders' funds in the ROE.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Profit (loss) for the year	5,618	2,060	4,345
Denominator (Millions of euros)	=	Average total assets	678,563	727,014	690,622
	=	ROA	0.83 %	0.28 %	0.63 %

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Adjusted profit (loss) for the year}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the adjusted profit (loss) for the year 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 sheets, excluding the assets from BBVA and the rest companies in the United States sold to PNC on June 1, 2021 for previous years. The average balance is calculated in the same way as explained for average equity in 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.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Adjusted profit (loss) for the year	6,034	3,485	5,103
Denominator (Millions of euros)	=	Average total assets	640,142	639,943	607,468
	=	Adjusted ROA	0.94 %	0.54 %	0.84 %

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Profit (loss) for the year}}{\text{Average risk-weighted assets}}$$

Explanation of the formula: The numerator is the profit (loss) for the year 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 risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Profit (loss) for the year	5,618	2,060	4,345
Denominator (Millions of euros)	=	Average RWA	324,819	358,675	361,359
	=	**RORWA**	**1.73 %**	**0.57 %**	**1.20 %**

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:

$$\frac{\text{Adjusted profit (loss) for the year}}{\text{Average risk-weighted assets}}$$

Explanation of the formula: The numerator is the adjusted profit (loss) for the year 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 risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis, excluding the RWA from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	=	Adjusted profit (loss) for the year	6,034	3,485	5,103
Denominator (Millions of euros)	=	Average RWA	300,276	300,518	302,233
	=	**Adjusted RORWA**	**2.01 %**	**1.16 %**	**1.69 %**

Earning per share

The earning per share is calculated in accordance to the criteria established in the IAS 33 “Earnings per share”.

Earning (loss) per share			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
(Millions of euros)	+	Net attributable profit (loss)	4,653	1,305	3,512
(Millions of euros)	+	Remuneration related to the Additional Tier 1 securities	359	387	419
Numerator (millions of euros)	=	Net attributable profit (loss) ex.CoCos remuneration	4,293	917	3,093
Denominator (millions)	+	Average number of shares issued	6,668	6,668	6,668
	-	Average treasury shares of the period	12	13	20
	-	Share buyback program (1)	255	—	—
	=	**Earning (loss) per share (euros)**	**0.67**	**0.14**	**0.47**

(1) Considering 112 millions shares acquired within the shares buyback program in 2021 and the estimated shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021.

Additionally, for management purposes, earnings per share are presented excluding: (I) the profit after tax from discontinued operations, that is, the results generated by BBVA USA and the rest of the companies in the United States until their sale to PNC on June 1, 2021, for the three broken down periods; (II) the capital gain net of taxes from the bancassurance operation with Allianz registered in the fourth quarter of fiscal year 2020; and (III) the net cost related to the restructuring process recorded in the second quarter of fiscal year 2021.

Adjusted earning (loss) per share

			Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
(Millions of euros)	+	Net attributable profit (loss) ex. CoCos remuneration	4,293	917	3,093
(Millions of euros)	-	Discontinued operations	280	(1,729)	(758)
(Millions of euros)	-	Corporate operations	—	304	—
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—	—
Numerator (millions of euros)	=	Net Attributable profit (loss) ex.CoCos and non-recurring impacts	4,709	2,342	3,851
Denominator (millions)	+	Average number of shares issued	6,668	6,668	6,668
	-	Treasury shares (effective average of the period) [1]	21	13	20
	=	**Adjusted earning (loss) per share (euros)**	**0.71**	**0.35**	**0.58**

[1] Considering 112 millions shares acquired within the shares buyback program in 2021.

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both "Operating expenses" and "Gross income" are taken from the Group’s consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector. In addition, it is the metric for one of the six Strategic Priorities of the Group.

Efficiency ratio

		Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	Operating expenses	9,530	9,088	10,155
Denominator (Millions of euros)	Gross income	21,066	20,166	21,522
	Efficiency ratio	**45.2 %**	**45.1 %**	**47.2 %**

Efficiency ratio for AVR

Explanation of the formula: The numerator used to calculate the efficiency ration excludes, In 2021, savings generated by the employee departures subject to the restructuring process since their departure from the BBVA Group, amounting to approximately €58m gross. In 2020, operating expenses and gross income include BBVA USA and the rest of the companies sold to PNC on June 1, 2021.

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

			Ene.-Dic.2021	Ene.-Dic.2020
Numerator (Millions of euros)	=	Operating expenses	9,587	10,755
Denominator (Millions of euros)	=	Gross income	21,066	22,974
	=	**Efficiency ratio for AVR**	**45.5 %**	**46.8 %**

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				
		31-12-21	31-12-20	31-12-19
Numerator (Euros)	∑ Dividends	0.14	0.16	0.26
Denominator (Euros)	Closing price	5.25	4.04	4.98
=	**Dividend yield**	**2.6 %**	**4.0 %**	**5.2 %**

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 also excluding the shares corresponding to the first tranche of the share buyback program approved by the BBVA Board of Directors in October 2021. 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					
			31-12-21	31-12-20	31-12-19
Numerator (Millions of euros)	+	Shareholders' funds	60,383	58,904	58,950
	+	Dividend-option adjustment	—	—	—
	+	Accumulated other comprehensive income	(16,476)	(14,356)	(10,226)
Denominator (Millions of shares)	+	Number of shares issued	6,668	6,668	6,668
	+	Dividend-option	—	—	—
	-	Treasury shares	15	14	13
	-	Share buyback program (1)	255	—	—
=		**Book value per share (euros)**	**6.86**	**6.70**	**7.32**

(1) Considering 112 million shares acquired within the share buyback program in 2021 and the estimated shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021.

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 also excluding the shares corresponding to the first tranche of the share buyback program approved by the BBVA Board of Directors in October 2021. 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

			31-12-21	31-12-20	31-12-19
Numerator (Millions of euros)	+	Shareholders' funds	60,383	58,904	58,950
	+	Dividend-option adjustment	—	—	—
	+	Accumulated other comprehensive income	(16,476)	(14,356)	(10,226)
	-	Intangible assets	2,197	2,345	2,783
	-	Intangible assets from BBVA USA and BBVA Paraguay [(1)]	—	1,952	4,187
Denominator (Millions of shares)	+	Number of shares issued	6,668	6,668	6,668
	+	Dividend-option	—	—	—
	-	Treasury shares	15	14	13
	-	Share buyback program (2)	255	—	—
=		**Tangible book value per share (euros)**	**6.52**	**6.05**	**6.27**

[(1)] BBVA Paraguay includes 3 millions of euros as of 31-12-20 and 4 millions as of 31-12-19.

[(2)] Considering 112 million shares acquired within the share buyback program en 2021 and the estimated shares pending from buyback as of December 31, 2021 of the first tranche approved by the BBVA Board of Directors in October 2021 (€1,500m), in process at the end of the year 2021.

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 and the estimated net savings of the BBVA restructuring plan in BBVA S.A.

Tangible book value for AVR: both, the net costs and the estimated savings (net of taxes) related to the restructuring process of BBVA S.A. are excluded and the impact of the sale of BBVA USA and the rest of companies in the United States on the tangible book value is also excluded. On the other hand, on the concepts related to the system of remuneration to shareholders, the amounts distributed to them (which include the amounts distributed under the items “Share premium”, as well as the “Interim dividends”) are adjusted. Likewise, the amount executed as of December 31, 2021 (112 million shares acquired for an amount of €569m) corresponding to the first share buyback tranche (€1,500m) approved by the BBVA Board of Directors in October 2021.

Relevance of its use: This indicator is commonly used in the banking sector. In addition, it is one of the indicators used for the purposes of the Group’s AVR (Annual Variable Remuneration).

Tangible book value per share for AVR

			31-12-21	31-12-20
Numerator (Millions of euros)	+	Tangible book value for AVR	42,832	40,922
Denominator (Millions of shares)	+	Number of shares issued	6,668	6,668
	+	Dividend-option	—	—
	-	Treasury shares	15	14
	-	Share buyback program [(1)]	112	—
=		**Tangible book value per share for AVR (euros)**	**6.55**	**6.15**

[(1)] Considering 112 million shares acquired within the share buyback program in 2021.

Non-performing loan (NPL) ratio

It is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance, both excluding the balances from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. 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[32] and the following counterparties:

- other financial entities
- public sector
- non-financial institutions
- households

The credit risk balance is calculated as the sum of "Loans and advances at amortized cost" and "Contingent risk" in stage 1 + stage 2 + stage 3 of the previous counterparts.

This indicator is shown, as others, at a business area level.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio		31-12-21	31-12-20	31-12-19
Numerator (Millions of euros)	NPLs	15,443	15,451	16,086
Denominator (Millions of euros)	Credit Risk	376,011	366,883	383,700
=	**Non-Performing Loans (NPLs) ratio**	**4.1 %**	**4.2 %**	**4.2 %**

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via allowances, excluding assets from BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. 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		31-12-21	31-12-20	31-12-19
Numerator (Millions of euros)	Provisions	11,536	12,595	12,121
Denominator (Millions of euros)	NPLs	15,443	15,451	16,086
=	**NPL coverage ratio**	**75 %**	**82 %**	**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 excludes the risk attributable to BBVA USA and the rest of the companies in the United States sold to PNC on June 1, 2021. It is calculated as follows:

$$\frac{\text{Loan-loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

[32] IFRS 9 classifies financial instruments into three stages, which depend on the evolution of their credit risk from the moment of initial recognition. The stage 1 includes operations when they are initially recognized, stage 2 comprises operations for which a significant increase in credit risk has been identified since their initial recognition and,stage 3, impaired operations.

Explanation of the formula: "Loans to customers (gross)" refers to the "Loans and advances at amortized cost" portfolios with the following counterparts:

- other financial entities
- public sector
- non-financial institutions
- households, excluding central banks and other credit institutions.

Average loans to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month. "Annualized loan-loss provisions" are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis.

Loan-loss provisions refer to the aforementioned loans and advances at amortized cost portfolios.

This indicator is shown, as others, at a business area level.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk

		Jan.-Dec.2021	Jan.-Dec.2020	Jan.-Dec.2019
Numerator (Millions of euros)	Loan-loss provisions	3,026	5,160	3,462
Denominator (Millions of euros)	Average loans to customers (gross)	325,013	332,096	332,804
=	**Cost of risk**	**0.93 %**	**1.55 %**	**1.04 %**

5.2 Compliance tables

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Non-financial Information Report. Contents index of the Law 11/2018

		Page / Section BBVA's Management Report 2021	GRI reporting criteria	Page(s)
General information				
Business model	Brief description of the group's business model	NFIS/Strategy	GRI 102-2 GRI 102-7	6-12
	Geographical presence	BBVA in brief/ Who we are	GRI 102-3 GRI 102-4 GRI 102-6	2
	Objectives and strategies of the organization	NFIS/Strategy/Strategic Priorities/Our objectives	GRI 102-14	6-12
	Main factors and trends that may affect your future evolution	NFIS/Strategy/Main advances in the execution of the strategy Financial information/Group/Macroeconomic and regulatory environment	GRI 102-15	8-12, 123-127
General	Reporting framework	Non-financial information	GRI 102-54	6
	Principle of materiality	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA Additional Information/Additional Information on Materiality	GRI 102-46 GRI 102-47	13-14, 93-97
Management approach	Description of the applicable policies	NFIS/Our stakeholders/Customers/Customer security and protection NFIS/Our stakeholders/Employees/People management, Professional development, Work environment, Remuneration, Volunteer work NFIS/Our stakeholders/Society/Community Commitment, Other contributions to society NFIS/Report on climate change and other environmental and social issues Risk management	GRI 103-2	15-18, 21-45, 46-49, 62-65, 69-92, 166-184
	The results of these policies	NFIS/Our stakeholders/Customers/Customer security and protection NFIS/Our stakeholders/Employees/People management, Professional development, Work environment, Remuneration, Volunteer work NFIS/Our stakeholders/Society/Community Commitment, Other contributions to society NFIS/Report on climate change and other environmental and social issues Risk management	GRI 103-2	15-18, 21-45, 46-49, 62-65, 69-92, 166-184
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Environmental management	Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	NFIS/Report on climate change and other environmental and social issues Risk management/General risk management and control mode	GRI 102-15	69-92, 166-173
	Environmental assessment or certification procedures	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 103-2	86-91
	Resources dedicated to the prevention of environmental risks	NFIS/Report on climate change and other environmental and social issues/Sustainable finance	GRI 103-2	71-73
	Application of the precautionary principle	NFIS/Report on climate change and other environmental and social issues Risk management/General risk management and control model	GRI 102-11	69-92, 166-173
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	Actions to combat food waste	BBVA Group considers this indicator not to be material	GRI 103-2	
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	Measures taken to adapt to the consequences of climate change	NFIS/Report on climate change and other environmental and social issues	GRI 103-2 GRI 201-2	69-92
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	NFIS/Report on climate change and other environmental and social issues	GRI 305-5	69-92

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	
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	Total number and distribution of work contract modalities	NFIS/Our stakeholders/Employees/Professional development/Diversity, inclusion and different capacities	GRI 102-8	24-35
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	Number of dismissals by sex, age, and professional classification	NFIS/Our stakeholders/Employees/Professional development/ Diversity, inclusion and different capacities	GRI 103-2 GRI 401-1 with respect to staff turn-over by sex, age and country	24-35
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102-45	Entities included in the consolidated financial statements	Consolidated Financial Statements (Note 3)
102-46	Defining report content and topic Boundaries	Statement of non-financial information NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality Consolidated Financial Statements (Note 1)
102-47	List of material topics	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality
102-48	Restatements of information	With respect to the financial information, restatements made during 2021 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 2020 have been duly indicated through their corresponding footnote in the sections of Employees" within the chapter "Our stakeholders" of the Non-financial information report.
102-49	Changes in reporting	Non financial information report (page 7) NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality Consolidated Financial Statements (Notes 1 and 3)
102-50	Reporting period	Annual. From January 1, 2021 to December 31, 2021.
102-51	Date of most recent report	2020
102-52	Reporting cycle	Annual

102-53	Contact point for questions regarding the report	For contacts regarding sustainability and responsible banking see https://accionistaseinversores.bbva.com/negocio-responsable/contacto/
102-54	Declaration of preparation of the report in accordance with the GRI Standards	Non financial information report
102-55	GRI content index	Contents Index of the GRI standards
102-56	External assurance	Independent verification report

Basic specific disclosures GRI STANDARDS

Indicator			Chapter/Section	Scope	Material aspects identified and coverage of the material aspect
ECONOMIC CATEGORY					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Solvency and financial results Climate change: opportunities and risks Employee engagement and talent management Inclusive growth
	103-2	The management approach and its components	Group financial information NFIS/Our stakeholders/ Employees NFIS/Climate change report NFIS/Our stakeholders/Society/ Contribution to society	Global	Solvency and financial results Climate change: opportunities and risks Employee engagement and talent management Inclusive growth
	103-3	Evaluation of the management approach	Group financial information	Global	Solvency and financial results Climate change: opportunities and risks Employee engagement and talent management Inclusive growth
GRI 201 Economic performance	201-1	Direct economic value generated and distributed	The direct economic value generated during the 2021 financial year amounts to €21,233m. The total direct economic value distributed is €10,843m in the same period. As a result, the retained economic value (Direct economic value generated - Total direct economic value distributed) amounts to €10,419m.	Global	Solvency and financial results
	201-2	Financial implications and other risks and opportunities due to climate change	NFIS/Climate change report/Environment	Global	Climate change: opportunities and risks
	201-3	Defined benefit plan obligations and other retirement plans	NFIS/Our stakeholders/Employees/ Remuneration Consolidated Financial Statements (Notes 2.2.12 and 25)	Global	Solvency and financial results
	201-4	Financial assistance received from government	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
GRI 202 Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	NFIS/Our stakeholders/Employees/ Remuneration	Global	Employee engagement and talent management
	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 95,8%	Global	Employee engagement and talent management
GRI 203 Indirect economic impacts	203-1	Infrastructure investments and services supported	NFIS/Climate change report NFIS/Our stakeholders/Society/ Contribution to society	Global	Inclusive growth
	203-2	Significant indirect economic impacts	NFIS/Climate change report NFIS/Our stakeholders/Society/ Contribution to society	Global	Inclusive growth
GRI 204 Procurement practices	204-1	Proportion of spending on local suppliers	NFIS/Our stakeholders/Society/Suppliers	Global	Inclusive growth
Anti-corruption					

GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-2	The management approach and its components	NFIS/Our stakeholders/Society/ Compliance NFIS/Our stakeholders/Society/ Contribution to society	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Society/ Compliance NFIS/Our stakeholders/Society/ Contribution to society	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
GRI 205 Anti-corruption	205-1	Operations assessed for risks related to corruption	NFIS/Our stakeholders/Society/ Compliance NFIS/Our stakeholders/Society/ Contribution to society	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	205-2	Communication and training about anti-corruption policies and procedures	NFIS/Our stakeholders/Society/ Compliance	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection

205-3	Confirmed incidents of corruption and actions taken	GRI 205-3 a), b) and c) (confirmed cases of corruption and measures taken in them: dismissal and termination of contracts). The information refers to confirmed cases, that is, in which there is a final judgment against one of the banking entities that are members of the BBVA Group as of December 31, 2021, for acts related to corruption (understood as including acts of money laundering according to the definition of the metric), including the firm convictions of a banking entity of the Group as subsidiary civil liability for crimes committed by its employees. Therefore, those cases in which the entity is the victim of the illicit conduct and those in which, by establishing the laws a strict liability system, the Group's banking entity has to be responsible for the amounts subject to fraud are excluded. by a third party to a customer. A final judgment is reported issued in 2021 by the Court of Grande Instance of Paris against Garanti BBVA confirming a previous conviction of the Court of Appeals of Paris in 2017, for infringement of the applicable regulations on money laundering derived from fraud fiscal. Said final sentence amounts to a total amount of €33m, not having entailed payments in the 2021 financial year. It has not resulted in the dismissal of any employee or the termination or non-renewal of contracts with suppliers or customers. GRI 205-3 d) (public and notorious legal cases for alleged acts of corruption and the results of those cases) The information refers to public and notorious cases filed against banking entities that are members of the BBVA Group as of December 31, 2021 or their employees, for alleged acts related to corruption (understood as including acts of money laundering according to the definition of the metric), in which no final judgment has been handed down: (i) a sanction imposed on BBVA, S.A. is reported. for alleged violations of Law 10/2010, of April 28, on the prevention of money laundering and the financing of terrorism, from which a payment of €13.1m has been derived in the 2021 financial year. The resolution is not firm, having filed a contentious-administrative lawsuit against it; (ii) the Spanish judicial authorities are investigating the activities of the company Centro Exclusivo de Negocios y Transacciones, SL (Cenyt). This investigation includes the provision of services to BBVA, S.A. (the bank). In this regard, on July 29, 2019, the Bank was notified of the order of the Central Court of Instruction No. 6 of the National High Court, by which the Bank is declared to be an investigated party in the preliminary proceedings 96/2017 - piece of investigation number 9 for alleged facts that could constitute the crimes of bribery, disclosure of secrets and corruption in business. On February 3, 2020, the Bank was notified of the order of the Central Court of Instruction No. 6 of the National High Court, by which it was agreed to lift the secrecy of the proceedings. Certain directors and employees of the Group, both current and from a previous stage, as well as former directors are also being investigated in relation to this case. The Bank has been collaborating and continues to do so proactively with the judicial authorities, having shared with the justice system the relevant documentation obtained in the internal investigation contracted by the entity in 2019 to contribute to clarifying the facts. As of the date of approval of the Financial Statements, no formal accusation has been made against the Bank for any crime. The aforementioned criminal procedure is in the investigation phase. Therefore, it is not possible at this time to predict its scope or duration or all its possible results or implications for the Group, including potential fines and damage or harm to the Group's reputation.	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
Anti-competitive behavior				

GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-2	The management approach and its components	NFIS/Our stakeholders/Society/Compliance	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Society/Compliance	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
GRI 206 Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	A total number of six judicial and administrative proceedings are reported in progress in the 2021 financial year, in which it is being investigated whether any of the banking entities that are members of the BBVA Group as of December 31, 2021 have participated in alleged collusive agreements or abuses of position of dominance prohibited under the applicable competition regulations, such as the Spanish Law for the Defense of Competition, the competition provisions of the Treaty on the Functioning of the European Union, and equivalent regulations in other countries outside the EU. In relation to these ongoing processes in 2021, a resolution has been issued in which a penalty of less than €1m has been imposed. Said sanction is subject to appeal and, therefore, is not final. The amount of monetary losses incurred in 2021 as a result of the aforementioned processes is less than €1m. Additionally, there is an insignificant number (less than five) of civil proceedings against BBVA, S.A. for alleged infringement of unfair competition regulations, which do not entail payments of any kind (10)	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
Tax					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Solvency and financial results
	103-2	The management approach and its components	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
GRI 207 Tax	207-1	Approach to tax	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	207-2	Tax governance, control, and risk management	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	207-3	Stakeholder engagement and management of concerns related to tax	NFIS/Our stakeholders/Society/Fiscal transparency	Global	Solvency and financial results
	207-4	Country-by-country reporting	NFIS/Our stakeholders/Society/Fiscal transparency Consolidated Financial Statements (Appendix XIII)	Global	Solvency and financial results

ENVIRONMENTAL CATEGORY

GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Climate change: opportunities and risks
	103-2	The management approach and its components	NFIS/Report on climate change and other environmental and social issues/ Management of direct environmental impacts	Global	Climate change: opportunities and risks
	103-3	Evaluation of the management approach	NFIS/Report on climate change and other environmental and social issues/ Management of direct environmental impacts	Global	Climate change: opportunities and risks
Materials					
GRI 301 Materials	301-1	Materials used by weight or volume	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table	Global	Climate change: opportunities and risks
	301-2	Recycled input materials used	76% of the paper used by BBVA for consumption and reported in the Environmental Footprint Table is recycled or environmentally certified in most geographic areas.	Global	Climate change: opportunities and risks
	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. 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.		
Energy					
GRI 302 Energy	302-1	Energy consumption within the organization	EINF/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts (2), Environmental Footprint Table	Global	Climate change: opportunities and risks
	302-2	Energy consumption outside of the organization	BBVA is working, through the involvement of various areas of the Group, to develop methodologies that allow energy consumption to be measured outside the organization and to be able to report this metric in future years.		
	302-3	Energy intensity	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts(2), Table Global Eco-efficiency Plan	Global	Climate change: opportunities and risks
	302-4	Reduction of energy consumption	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts(2), Table Global Eco-efficiency Plan	Global	Climate change: opportunities and risks
	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.		
Water					

GRI 303 Water	303-1	Interactions with water as a shared resource	Due to the economic activity of a financial entity such as BBVA, water consumption is not intensive, being only for use by employees, and for vegetation and air conditioning in some buildings. However, BBVA has installed greywater recycling and rainwater recirculation systems for irrigation at the headquarters in Spain and Mexico, or the installation of dry urinals in some of the buildings in Spain. An analysis is carried out by geographic area (pessimistic 2030 scenario) of the uses through the WRI tool: Aqueduct Projected Water Stress Country Rankings; with a result: - 61.83% of our consumption has a high or extremely high extraction and demand ratio; - 13.74% of our consumption has a medium extraction and demand ratio; - 14.43% of our consumption has a low extraction and demand ratio.	Global	Climate change: opportunities and risks
	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		
	303-5	Water consumption	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change: opportunities and risks
Biodiversity					
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. 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.		
	304-3	Habitats protected or restored	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.		
	304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	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.		
Emissions					
GRI 305 Emissions	305-1	Direct (Scope 1) GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table. In addition to the published data on Scope 1 emissions in tCO_2e, the breakdown by other types of GHG is: - CO_2: 23,324.64 t CO_2 - CH_4: 52.64 t CH_4 - N_2O: 58.55 t N_2O Emissions from refrigerant gases are not included in this breakdown. The emission factors used have been calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.	Global	Climate change: opportunities and risks

305-2	Energy indirect (Scope 2) GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table. In addition to the published data on Scope 2 emissions in tCO2e, the breakdown by other types of GHG is: MARKET-BASED: - CO2: 43,743.29 t CO2 - CH4: 39.97 t CH4 - N2O: 92.15 t N2O LOCATION-BASED: - CO2: 206,590.15 t CO2 - CH4: 172.98 t CH4 - N2O: 562.52 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: opportunities and risks
305-3	Other indirect (Scope 3) GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table(2)(4) In addition to the published data on Scope 3 emissions in tCO2e, the breakdown by other types of GHG is: - CO2: 2,673.50 t CO2 - CH4: 0.29t CH4 - N2O: 13.41 t N2O Emissions from waste management or employee travel are not included in this breakdown. the emission factors used are those published by DEFRA in 2021	Global	Climate change: opportunities and risks
305-4	GHG emissions intensity	NFIS/Additional Information/Contribution to the Sustainable Development Goals/ Impact metrics	Global	Climate change: opportunities and risks
305-5	Reduction of GHG emissions	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of Global Eco-efficiency Plan Indicators Table(2)	Global	Climate change: opportunities and risks
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's emissions of other types of pollutants into the atmosphere are: - NOx: 17,077.55 t NOx - SOx: 2,593.25 tSOx These data only consider the emissions due to the use of fuels in the installations 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, typology "Tier 1" for each type of fuel.	Global	Climate change: opportunities and risks
GRI 306 Waste	306-1	Waste generation and significant waste-related impacts	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change: opportunities and risks
	306-2	Management of significant waste-related impacts	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change: opportunities and risks
	306-3	Waste generated	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change: opportunities and risks
	306-4	Waste diverted from disposal	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change: opportunities and risks
	306-5	Waste directed to disposal	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect environmental impacts/Management of direct environmental impacts, Environmental Footprint Table, Evolution of the Global Eco-efficiency Plan Indicators Table	Global	Climate change: opportunities and risks
Environmental compliance					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Climate change: opportunities and risks Business ethics, culture and customer protection
	103-2	The management approach and its components	NFIS/Report on climate change and other environmental and social issues/ Management of risks associated with climate change, Management of direct and indirect impacts	Global	Climate change: opportunities and risks Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	NFIS/Report on climate change and other environmental and social issues/ Management of risks associated with climate change, Management of direct and indirect impacts	Global	Climate change: opportunities and risks Business ethics, culture and customer protection
GRI 307 Environmental compliance	307-1	Non-compliance with environmental laws and regulations	BBVA Group has no fines or penalties for non-compliance with regulations related to significant environmental aspects.	Global	Climate change: opportunities and risks Business ethics, culture and customer protection

GRI 308. Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	BBVA considers that the negative environmental impacts of its supply chain are not material and, therefore, neither is the evaluation of suppliers in this area. However, the Group has started an analysis process to determine how to adapt its procurement processes to collect more information on environmental issues from its suppliers.		
	308-2	Negative environmental impacts in the supply chain and actions taken	BBVA considers that the negative environmental impacts of its supply chain are not material. However, the Group has started an analysis process to determine how to adapt its procurement processes to collect more information on environmental issues from its suppliers.		
SOCIAL DIMENSION					
Labor practices and decent work					
Employment					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Employee engagement and talent management COVID-19 management
	103-2	The management approach and its components	NFIS/Our stakeholders/Employees/Work environment/Work organization	Global	Employee engagement and talent management COVID-19 management
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Employees	Global	Employee engagement and talent management COVID-19 management
GRI 401 Employment	401-1	New employee hires and employee turnover	NFIS/Our stakeholders/Employees/Professional development	Global	Employee engagement and talent management
	401-2	Social benefits provided to full-time employees that are not provided to temporary or part-time employees	Due to the low percentage of employees with part-time and temporary contracts of BBVA in the period of the year, this metric and its breakdown are considered non-material; since the conditions and benefits received by employees are regulated by collective agreements, social agreements and other tools that guarantee fair treatment and adequate conditions to the particular characteristics of the contracts established with employees. However, the entity will monitor this metric to ensure that its annual report adjusts to the situation for the period.		
	401-3	Parental leave	NFIS/Our stakeholders/Employees/Work environment/Work organization	Global	Employee engagement and talent management Diversity and work-life balance
Labor/Management relations					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Employee engagement and talent management
	103-2	The management approach and its components	NFIS/Our stakeholders/Employees	Global	Employee engagement and talent management
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Employees	Global	Employee engagement and talent management
GRI 402 Labor/ Management relations	402-1	Minimum notice periods regarding operational changes	The organizational changes in BBVA Group are analyzed on a case-by-case basis, so the negative impact on employees can be avoided or mitigated, and always within the legal provisions of each country.	Global	Employee engagement and talent management
Occupational health and safety					
GRI 103 Management approach	103-1	Explanation of the material topic and its coverage	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Employee engagement and talent management COVID-19 management
	103-2	The management approach and its components	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management

	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management
GRI 403 Occupational health and safety	403-1	Workers representation in formal joint management–worker health and safety committees	NFIS/Our stakeholders/Employees/Work environment	Global	Employee engagement and talent management
	403-2	Hazard identification, risk assessment, and incident investigation	NFIS/Our stakeholders/Employees/Work environment	Global	Employee engagement and talent management
	403-3	Occupational health services	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management
	403-4	Health and safety topics covered in formal agreements with trade unions	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management
	403-5	Worker training on occupational health and safety	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management
	403-6	Promotion of worker health	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management COVID-19 management
	403-8	Workers covered by an occupational health and safety management system	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Global	Employee engagement and talent management
	403-9	Work-related injuries	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety	Spain	Employee engagement and talent management
	403-10	Work-related ill health	NFIS/Our stakeholders/Employees/Work environment/Occupational health and safety Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified	Spain	Employee engagement and talent management
Training					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Employee engagement and talent management
	103-2	The management approach and its components	The best and most engaged team/ Professional development	Global	Employee engagement and talent management
	103-3	Evaluation of the management approach	The best and most engaged team/ Professional development	Global	Employee engagement and talent management
GRI 404 Training and education	404-1	Average hours of training per year per employee	NFIS/Our stakeholders/Employees/ Professional development	Global	Employee engagement and talent management
	404-2	Programs for upgrading employee skills and transition assistance programs	NFIS/Our stakeholders/Employees/ Professional development	Global	Employee engagement and talent management
	404-3	Percentage of employees receiving regular performance and career development reviews	NFIS/Our stakeholders/Employees/ Professional development	Global	Employee engagement and talent management
Diversity and equal opportunity					

GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Employee engagement and talent management
	103-2	The management approach and its components	NFIS/Our stakeholders/Employees/ Professional development	Global	Employee engagement and talent management
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Employees/ Professional development	Global	Employee engagement and talent management
GRI 405 Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	NFIS/Our stakeholders/Employees/ Professional development Annual Corporate Governance Report (section C) The age groups are reported according to the ranges of <25 years / between 25 and 45 years / >45 years	Global	Diversity and work-life balance
	405-2	Ratio of basic salary and remuneration of women to men	NFiS/Our stakeholders/Employees/ Remuneration	Global	Diversity and work-life balance
Human rights					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Human rights Business ethics and customer protection
	103-2	The management approach and its components	NFIS/Our stakeholders/Society/ Commitment to Human Rights NFIS/Report on climate change and other environmental and social issues/ Environment/Management of indirect environmental impacts/Equator Principles NFIS/Our stakeholders/Society/Suppliers	Global	Human rights Business ethics and customer protection
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Society/ Commitment to Human Rights NFIS/Report on climate change and other environmental and social issues/ Environment/Management of indirect environmental impacts/Equator Principles	Global	Human rights Business ethics and customer protection
GRI 406 Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	During the 2021 financial year, the sexual or moral harassment protocol that would be activated in the event that an employee files a complaint through the channels established for this purpose has not been activated.	Global	Human rights
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
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
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

GRI 410 Security practices	410-1	Security personnel trained in human rights policies or procedures	In most of the geographic areas where BBVA operates, national legislation requires that security guards must have specific official qualifications or trainings whose agendas, in many cases, include elements directly related to the respect of the human rights. At BBVA, security personnel is a 100% a outsourced service. In 2021, the evaluation procedure was strengthened in order to carry out a periodic analysis and control at the BBVA Group facilities with a focus on potential misuse of force. This procedure was one of the improvement plans that emerged from the Human Rights Due Diligence Plan carried out in 2021.	Global	Human rights
GRI 411 Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	BBVA has reinforced due diligence procedures associated with the financing of projects whose development affects indigenous peoples. When this circumstance happens, the free, prior and informed consent (FPIC) of these peoples must be obtained regardless of the geographic location of the project. What it means to expand the current requirement of PEs to all the countries in which the Group operates. In 2021, a total of 42 operations have been evaluated.	Global	Human rights
GRI 412 Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	BBVA has not identified any significant impacts with respect to human rights in its workplaces	Global	Human rights
	412-2	Employee training on human rights policies or procedures	During the 2021 financial year, 39 employees from different geographical areas have taken specific Human Rights courses that the Group makes available to its employees. In addition, more than 180 employees from across the Group have participated in some of the basic training and awareness sessions within the framework of the human rights due diligence process.	Global	Business ethics, culture and customer protection Human rights
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NFIS/Our stakeholders/Society/ Commitment to Human Rights NFIS/Our stakeholders/Society/Suppliers (6)	Global	Business ethics, culture and customer protection Human rights
Society					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Inclusive growth Business ethics, culture and customer protection
	103-2	The management approach and its components	NFIS/Our stakeholders/Customers NFIS/Our stakeholders/Society/ Contribution to society	Global	Inclusive growth Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Customers NFIS/Our stakeholders/Society/ Compliance NFIS/Our stakeholders/Society/ Contribution to society	Global	Inclusive growth Business ethics, culture and customer protection
GRI 413 Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	NFIS/Our stakeholders/Society/ Contribution to society	Global	Inclusive growth

	413-2	Operations with significant actual and potential negative impacts on local communities	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://accionistaseinversores.bbva.com/sostenibilidad-y-banca- responsible/principles-and-policies-2/financing-responsible-projects.	Global	Inclusive growth
GRI 414. Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	NFIS/Our stakeholders/Suppliers	Global	Inclusive growth
	414-2	Negative social impacts in the supply chain and actions taken	NFIS/Our stakeholders/Suppliers	Global	Inclusive growth
GRI 415 Public policy	415-1	Total value of political contributions by country and recipient/ beneficiary.	BBVA's policy in countries does not allow contributions of this type NFIS/Our stakeholders/Society/ Compliance NFIS/Our stakeholders/Society/ Contribution to society	Global	Business ethics, culture and customer protection
Product responsibility					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Business ethics, culture and customer protection Financial health and personalized advice to clients COVID-19 management
	103-2	The management approach and its components	NFIS/Our stakeholders/Customers	Global	Business ethics, culture and customer protection Financial health and personalized advice to clients COVID-19 management
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Customers	Global	Business ethics, culture and customer protection Financial health and personalized advice to clients COVID-19 management
GRI 416 Customer health and safety	416-1	Assessment of the health and safety 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 health and safety of the product categories and services is not material.		
	416-2	Incidents of non-compliance concerning the health and safety 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 health and safety 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.		
Labeling of products and services					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA	Global	Responsible use of data Business ethics, culture and customer protection Cybersecurity
	103-2	The management approach and its components	NFIS/Our stakeholders/Customers/ Customer service NFIS/Our stakeholders/Society/ Compliance Consolidated Financial Statements(Note 34)	Global	Responsible use of data Business ethics, culture and customer protection Cybersecurity
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Customers/ Customer service NFIS/Our stakeholders/Society/ Compliance Consolidated Financial Statements(Note 24)	Global	Responsible use of data Business ethics, culture and customer protection Cybersecurity

GRI 417 Labeling of products and services	417-1	Requirements for product and service information and labeling	The Product Governance Policy establishes the principles to be observed in order to serve the interests of customers throughout the product life cycle. The Product Governance and Operational Risk Admission Committee evaluates, among others, the information and labeling requirements of the products prior to their launch. For further details on other measures or lines of action promoted by BBVA in the field of information and labeling of products and services, see the section "Clients" within the chapter "Our stakeholders" of this report[7].	Global	Simplicity, agility and self-service for customers Financial health and personalized advice to clients Ethical behavior, culture and protection of clients
	417-2	Incidents of non-compliance concerning product and service information and labeling	In fiscal year 2021, the following are identified [8]: – Two fines imposed on BBVA, S.A., for a total amount of €6m, for non-compliance with Royal Decree Law 6/2012, of urgent measures for the protection of mortgage debtors. The amount of the two fines has been paid and provisioned. The sanctions are being appealed through contentious-administrative proceedings. – Warning and a penalty of €90 thousand imposed on BBVA Colombia by the Financial Superintendence of Colombia for the alleged non-compliance with the provisions related to the obligation to maintain in the branch network information related to packages of products and/or services free of charge and regarding the regulation of collections for operations that were failed for reasons beyond the control of the bank. An appeal has been filed. The amount of the fine is provisioned pending the final pronouncement of the supervisor. – A fine of €7.2m imposed on Garanti BBVA by the Provincial Directorate of Commerce for non-compliance with Law 6502 on consumer credit. The amount of the penalty was paid in 2021 with a 25% discount (€5.4m). The entity requested the restructuring of the fine in September 2021 and 50% of the amount paid was returned in the last quarter of the year.	Global	Simplicity, agility and self-service for customers Financial health and personalized advice to clients Ethical behavior, culture and protection of clients
	417-3	Incidents of non-compliance concerning marketing communications	In 2021, no fines, sanctions or warnings have been identified by the supervisory bodies with a public nature to the entities of the BBVA Group as of December 31, as a result of non-compliance with regulations or voluntary codes related to marketing communications [9].	Global	Simplicity, agility and self-service for customers Financial health and personalized advice to clients Ethical behavior, culture and protection of clients
Client privacy					

GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Responsible use of data Business ethics, culture and customer protection Cibersecurity
	103-2	The management approach and its components	NFIS/Our stakeholders/Customers/ Customers security and protection NFIS/Our stakeholders/Society/ Compliance Consolidated Financial Statements (Note 24)	Global	Responsible use of data Business ethics, culture and customer protection Cibersecurity
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Customers/ Customers security and protection NFIS/Our stakeholders/Society/ Compliance Consolidated Financial Statements (Note 24)	Global	Responsible use of data Business ethics, culture and customer protection Cibersecurity
GRI 418 Client privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Substantiated claims information is included in: NFIS/Our stakeholders/Customers/ Customer service, Security and customer protection Information related to judicial and administrative proceedings is included in: SASB CF 220a.2 "Total amount of monetary losses as a result of legal proceedings related to customer privacy"	Global	Responsible use of data Business ethics, culture and customer protection Cibersecurity
Socioeconomic compliance					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	NFIS/Our stakeholders/Materiality analysis: most relevant issues for stakeholders and for BBVA NFIS/Additional Information/Additional Information on Materiality	Global	Business ethics, culture and customer protection
	103-2	The management approach and its components	NFIS/Our stakeholders/Customers/ Customer service, Security and customer protection NFIS/Our stakeholders/Society/ Compliance Consolidated Financial Statements (Note 24)	Global	Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	NFIS/Our stakeholders/Customers/ Customer service, Security and customer protection NFIS/Our stakeholders/Society/ Compliance Consolidated Financial Statements (Note 24)	Global	Business ethics, culture and customer protection

GRI 419 Regylatory compliance	419-1	Non-compliance with laws and regulations in the social and economic area	A materiality criterion per process of €1m is included. For the purposes of determining the socioeconomic breaches related to corruption (including bribery, fraud, money laundering and other concepts included in the definition of corruption provided for in the GRI 205-3 metric), please refer to the information included in the GRI 205-3 metric. For issues related to competition, please refer to the information included in the GRI 206 metric. For the purposes of determining socioeconomic breaches related to the provision of products and services, only administrative sanctions have been considered (in relation to judicial decisions issued in civil proceedings, please see SASB CF 270 a.5 and MF 270 a.3 metrics "Total amount of monetary losses resulting from legal proceedings related to the sale and maintenance of the products" and "Total amount of monetary losses resulting from legal proceedings related to communications to customers or the remuneration of credit originators. loans") imposed on banking entities that are part of the BBVA Group as of December 31, 2021, which exceed the materiality threshold per process, for alleged infractions of the following types of regulations: (i) Regulations on abusive clauses, 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 General Law for Defense of Consumers and Users, and equivalent regulations outside the EU. There are no administrative sanctions observed in the 2021 financial year for the aforementioned concepts imposed on banking entities that are part of the BBVA Group as of December 31, 2021 that exceed the materiality threshold by process. (ii) Regulations regarding good practices used in credit operations granted to customers. For these purposes, please see the GRI 417-2 metric. For general information on labor and tax aspects, see the "Employees" and "Fiscal Transparency" sections within the "Our Stakeholders" chapter.	Global	Business ethics, culture and customer protection

(1) No breakdown by geographical area

(2) The limitations on the scope of the indicator, the perimeter and the criteria followed in the estimates are detailed in the table referenced. The intensity indicators have been calculated according to the number of occupants of the buildings, understanding as such the sum of the average workforce and the estimation of the third parties that work in the Bank's facilities.

(3) The consumption of the branches network has been estimated from a limited sample of offices.

(4) In relation to business trips, only the emissions derived from the plane and train trips of Group employees are reported.

(5) It is only reported on operations analyzed in relation to compliance with the Equator Principles.

(6) The information regards employees trained in the Code of Conduct

(7) 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, 2021, as well as other measures or lines of action promoted by said entities in the field of information transparency.

(8) The information refers to the number of warnings and/or sanctioning proceedings of a public nature, in progress or completed, that the supervisory bodies have indicated during the financial year to some of the entities of the BBVA Group as of December 31, 2021 as consequence of breaches of regulations or voluntary codes related to the information provided to customers and/or the labeling of products and services. For the purposes of reporting the amount of penalties in euros, the fixed rate at 31/12/2021 is applied as the exchange rate.

(9) The information refers to the number of warnings and/or sanctioning proceedings of a public nature, in progress or completed, that the supervisory bodies have indicated during the financial year to some of the entities of the BBVA Group as of December 31, 2021 as a result of breaches of regulations or voluntary codes related to marketing communications. For the purposes of reporting the amount of penalties in euros, the fixed rate at 31/12/2021 is applied as the exchange rate.

(10) The concept of "monetary losses" includes the amounts paid, provisionally or definitively (without defense expenses), by the entity in question, during the year 2021. The Fixing Rate at 31/12 is applied as the exchange rate /2021.

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UNEPFI Principles for Responsible Banking reporting Index

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference (s) / Link (s) to full bank's response / relevant information
Principle 1: Alignment **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	BBVA is a global financial group with a leading position in the Spanish market, is the largest financial institution in Mexico and has leading franchises in South America and Turkey. At 2021 year-end, BBVA had: 662 billion in assets, 81.7 million customers, 6,083 branches and a presence in more than 25 countries. BBVA primarily focuses its business on retail banking, business banking and Corporate & Investment Banking activities.	See section "BBVA in brief. Who we are"
1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	In 2018 BBVA published its "Pledge 2025" based on 3 lines of action: - mobilize up to €100 billion (increased to €200 billion in 2021) to curb climate change and achieve the Sustainable Development Goals; - manage direct and indirect environmental and social risks; and - involve all stakeholders to collectively drive the financial sector's contribution to sustainable development. In 2019 BBVA incorporated sustainability as one of its 6 strategic priorities at a global level for its alignment with the Paris Agreement and the Sustainable Development Goals, placing sustainability at the center of its business strategy.	See section "Strategy"
Principle 2: Impact and Target Setting **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**		
2.1 Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements: a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) Show that building on this analysis, the bank has • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts	BBVA has prioritized sectors or areas where its financing activity has a greater positive and negative impact (see Section 2.2.). For the most relevant impacts, BBVA has established objectives (detailed in Section 1.2 above) which are monitored on a recurring basis. The impact analysis took the following into account: (i) The main business areas: Retail Banking, Business Banking and Corporate & Investment Banking. (ii) The level of exposure to sectors and countries in which it operates and the most relevant market challenges and priorities. (iii) The importance of the social, economic and environmental impacts identified as a result of the bank's activities. I. Areas with the greatest positive impact. Climate action: with a focus on energy efficiency (SDG 7), the circular economy (SDG 12) and the reduction of CO_2 emissions (SDG 13). 2. Inclusive growth: specifically in Economic growth (SDG 8) and Industry, innovation and infrastructure (SDG 9) with business initiatives on financial inclusion, entrepreneurship support and sustainable infrastructure. II. Areas with the greatest negative impact. BBVA has identified negative impacts and risks through processes including: - Its Environmental and Social Framework where sectors with a greater environmental and social impact are identified (mining, agribusiness, energy, infrastructure and defense) for which BBVA has established project-level and customer-level prohibitions. - Equator Principles for project finance in which BBVA participates - Human Rights due diligence process for all BBVA areas. - Identification and assessment of sectors sensitive to transition risk, quantification of exposure to carbon-sensitive sectors and setting of portfolio alignment targets in 4 CO_2 intensive sectors.	See sections "Contribution to the Sustainable Development Goals" and "Management of direct and indirect impacts" See Task Force Report on Climate-Relates Financial 2021: https://accionistaseinversores.bbva.com/wp-content/uploads/2021/06/Informe-TCFD-Dic20_esp.pdf
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting		

BBVA has established specific, measurable (quantifiable), attainable, relevant and time-bound (SMART) objectives, in line with science and the more ambitious objectives from the Paris Agreement, which cover at least two of the identified "areas of more significant impact" resulting from the bank's activities and the provision of products and services: climate action and inclusive growth.		
2.2 Target Setting Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services. Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline. Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.	1. Within the "Pledge 2025" framework, in 2018 BBVA published the following objectives: (i) Mobilize €100 billion between 2018-2025 allocated to green finance, sustainable infrastructure and agribusiness, financial inclusion and entrepreneurship and other sustainable finance. This target was doubled to €200 billion in 2021; (ii) Reduce its direct CO_2 emissions by 68% (compared to 2015) and (iii) Procure 70% renewable energy from 2025 onwards and 100% renewable energy by 2030. In 2021, BBVA published the following targets: 2. Community Commitment 2025 to address the most important social challenges in each region: €550 million investment and 100 million people reached (5 million entrepreneurs, 3 million people with quality education and 1 million people trained in financial literacy). Moreover, the BBVA Microfinance Foundation will deliver more than €7 billion in microcredits. In total, these programs will reach 100 million people in that period. 3. Net Zero emissions in 2050, expanding our initial ambition of alignment to the Paris Agreement 3.1. BBVA has published its commitment to phase out coal by 2030 in developed countries and 2040 in developing countries. 3.2. BBVA has joined the Net Zero Banking Alliance initiative and BBVA Asset Management has joined Net Zeri Asset Managers Initiative 3.3. BBVA has set 2030 alignment targets in 4 of the most CO_2-intensive sectors: power generation, cars, steel and cement. On the other hand, the Human Rights due diligence process has been updated in 2021. Within this framework, a list of issues with potential negative impacts has been identified and evaluated, and action plans have been designed to mitigate or minimize them. Said process has been carried out in accordance with the United Nations Guiding Principles on Business and Human Rights.	See sections "Strategy", "Report on climate change and other environmental and social issues" and "Contribution to society"
Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.		
BBVA has established specific, measurable (quantifiable), attainable, relevant and time-bound (SMART) objectives, in line with science and the more ambitious objectives from the Paris Agreement, which cover at least two of the identified "areas of more significant impact" resulting from the bank's activities and the provision of products and services: climate action and inclusive growth.		
2.3 Plans for Target Implementation and Monitoring Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.	Actions and milestones to meet the objectives a.- BBVA is incorporating sustainability into its plans for retail banking, business banking and Corporate & Investment Banking through working groups charged with promoting the development of products and services b.- BBVA has integrated the risk of sustainability into its processes, both physical and transitional, and has an environmental and social framework c.- BBVA has established a single agenda with stakeholder groups and has joined the Net Zero Banking Alliance and the Partnership for Carbon Accounting Financials (PCAF) d.- BBVA is developing new skills in the sustainability field (training and data) Measuring progress toward the established objectives 1. Quarterly monitoring the objectives related to mobilizing sustainable finance (€200 billion), broken down by geographic location and business area. 2. Quarterly monitoring of the objective related to the 2025 Community Commitment (€550 million and 100 million beneficiaries) broken down by focus area. 3. Annual monitoring of the 2030-2040-2050 portfolio alignment objectives.	See sections "Strategy", "Report on climate change and other environmental and social issues" and "Contribution to society"
Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.		
BBVA periodically monitors the targets set		

2.4 Progress on Implementing Targets For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target. Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)	1. Regarding the 2025 objective to mobilize sustainable finance, by the end of 2021, BBVA had surpassed 85.8 billion euros originated in sustainable finance, representing 43% of the €200 billion pledge between 2018 and 2025. Furthermore, BBVA managed to reduce its direct CO_2 emissions by 67,5% from 2015, and 79% of the energy contracted by BBVA comes from renewable sources. 2. In terms of the 2025 Community Commitment, at the end of 2021, BBVA had invested 106,3 million euros, benefiting 44.2 million people. 3. The 2030-2040-2050 portfolio alignment commitments were set for the end of 2021. Therefore they will report on their progress in the following years	See sections "Strategy", "Report on climate change and other environmental and social issues" and "Contribution to society"

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

The bank shows clear progress in the objectives within its "2025 Pledge" framework, having doubled its objective in 2025. New objectives have also been published in other areas of action: Community Commitment, carbon phase out objective and portfolio alignment.

Principle 3: Clients and Customers
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.	With sustainability and financial health being 2 of BBVA's 6 strategic priorities from 2019, in 2020, the Board approved: a. The General Sustainability Policy, based on supporting customers in their transition to sustainable business models. b. The update of the Corporate Social Responsibility Policy, with the aim of maintaining a relationship with customers based on "transparency, clarity and responsibility", in addition to promoting the drive to develop products and services to improve the financial health of customers, promoting financial inclusion and education with responsible access to financial services. c. Furthermore, BBVA has a framework for sustainable transactional products, a framework for the issuance of SDG-linked bonds, an environmental and social framework, and a human rights commitment d. It also has an Environmental and Social Framework that prohibits the financing of certain activities and projects e. It also has a sustainable financing standard in line with European taxonomy and market best practices. These policies and frameworks are global in scale and applicable to all regions.	See sections "Strategy", "Report on climate change and other environmental and social issues", "Contribution to society", "Contribution to the Sustainable Development Goals" "Additional information on the Group's sustainability standards and frameworks" and "Our stakeholders"
3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	In 2021, one of the main lines of action was the development of sustainable solutions in BBVA's 3 main lines of business: A. Sustainable solutions for retail customers: a carbon footprint calculator and a sustainable alternative for all its products in Spain. Green Car Loan, Efficient Home Mortgage, Energy Efficiency Loan for the home, various sustainable investment products, financing of machinery and efficient irrigation systems in the agribusiness sector, social mortgage in Peru and Colombia, and financing for female entrepreneurs in Turkey and micro-entrepreneurs in Latin America through the BBVA Microfinance Foundation. B. Sustainable solutions for Wholesale Clients (Corporate, Institutional and Business): issuance of BBVA green and social bonds, intermediation of green and social bonds for our clients, sustainable corporate loans, financing of sustainable projects (renewable energies, self-supply and energy efficiency, sustainable mobility, agricultural activity, financing of projects related to health, telecommunications and sustainable infrastructures. C. ESG Advisory service to assist global customers in their transition to a sustainable future. This service is global in scale and open to all business sectors. The ESG Advisory model is supported by external expertise on which the Bank builds its commercial service model. In this sense, key strategic alliances are being developed to generate a support ecosystem for the sustainable transition of companies. The impacts achieved are detailed in Section 2.4 below.	See sections "Report on climate change and other environmental and social issues", " Integration of ESG aspects in the relationship with clients"

Principle 4: Stakeholders
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Describe which stakeholders (or groups/ types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/ results achieved.	BBVA includes the concerns of its stakeholders (customers, employees, shareholders and investors, suppliers, regulators and supervisors and society in general) into its businesses and activities, including social and environmental issues, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conduct. BBVA has actively participated in numerous initiatives, always in close collaboration with all stakeholders. These initiatives revolve around the following priority areas: 1. Universal frameworks of reference: BBVA was one of the founding banks and promoters of the Principles of Responsible Banking and the Collective Commitment to financial health and inclusion. 2. Alignment with the Paris Agreement: BBVA adhered to the Collective Commitment to Climate Action and the Net Zero Banking Alliance promoted by UNEP FI, the Science Based Target Initiative and participates in the Alliance of CEO Climate Leaders of the World Economic Forum (WEF), and the Partnership for Carbon Accounting Financials (PCAF). 3. Market Standards, with a role as promoter of the Equator Principles, Green Bond Principles, Social Bonds Principles, Green Loan Principles and other similar standards developed by the industry itself, as well as the EU Taxonomy. 4. Transparency: BBVA has been following the TCFD recommendations of the Financial Stability Board since 2017. 5. Financial regulation: BBVA participates in numerous consultation processes and in different activities with regulatory and supervisory bodies to promote sustainable finance regulation. BBVA is a member of UNEP FI, Co-Chair of its Global Steering Committee representing the European Banks and a member of its Leadership Council. BBVA is Chair of the Sustainable Finance Expert Group of the European Banking Federation (EBF).	See sections "Our stakeholders", "Report on climate change and other environmental and social issues"
Principle 5: Governance & Culture **We will implement our commitment to these Principles through effective governance and a culture of responsible banking**		
5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	The BBVA Board of Directors has a long track record in monitoring the evolution and main impacts of sustainable development and the fight against climate change, having gained special relevance in recent years, especially since 2019, when BBVA conducted a reflection on strategic priorities. There was a special involvement of the corporate bodies, and specifically of the Board and the Executive Committee, which participated directly in the drafting and approval of the Group's new strategic plan and defined a process for monitoring its implementation and development, through measures such as holding specific strategy-focused meetings, and the implementation of the strategic plan through KPIs established for this purpose. The Board of Directors defines, promotes and monitors the sustainability and climate change strategy and supervises the application of the Sustainability Policy. In 2021, and continuing the momentum given by the Global Sustainability Office created in March 2020, the Global Sustainability area was created with the aim of giving a definitive boost to BBVA. This area designs the strategic sustainability agenda and drives the lines of work in this area of the different global and transformation units (Risks, Finance, Talent and Culture, Data, Engineering and Organization, among others) and develops new sustainable products. The area is part of the highest executive level of the organization, and reports to the CEO and Chairman, given the highly strategic and transformational nature of the area.	See sections "Strategy", "Report on climate change and other environmental and social issues"

5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	In relation to capacity building, in 2020, BBVA launched a sustainability training offer for more than 110,000 employees worldwide. A key part of this offer is a basic sustainability course, which is compulsory for all teams and includes basic content on these principles. A financial health course was also launched for all Group employees. This training program was supplemented in 2021 with additional, non-basic training, with a level-based training pathway, up to expert level. Likewise, collaboration agreements have been reached with prestigious universities, whereby BBVA Group employees have taken first-level Master's degree programs in the area of sustainability knowledge. In relation to remuneration structures, in 2021 a sustainability-related indicator (Origination of sustainable financing, "Pledge 2025") has been incorporated into the remuneration system for all employees: 1. An ESG (Environmental, Social, Governance) metric has been incorporated into the variable remuneration scheme for executive directors with a specific weighting of 10%, which reinforces the commitment of both the Chairman and the CEO to ensure that BBVA achieves its sustainable development objectives, in line with the Bank's strategic priority of "Helping customers transition to a sustainable future". 2. Regarding all other employees, variable remuneration is associated with the degree of achievement of previously established objectives, both financial and non-financial. Within the non-financial indicators, since 2021 the new sustainability indicator (Origination of sustainable financing) has also been incorporated into the corporate variable remuneration model that applies to all employees.	See section "Our stakeholders. Employees"
5.3 Governance Structure for Implementation of the Principles Show that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	Within the framework of the new Global Sustainability area created in 2021, and previously within the framework of the Global Sustainability Office, the different working groups that promote sustainability in the BBVA Group report recurrently to the CEO and Chairman on the progress of their actions and monitor their indicators. The monitoring model includes specific lines of action, KPIs for measuring progress as well as blocking points with their consequent mitigating or unblocking measures. Specifically, the implementation of these Principles of Responsible Banking is integrated into the "Sustainability Public Engagement" working group of the new sustainability area, which continually tracks the public commitments undertaken by BBVA.	See section "Report on climate change and other environmental and social issues"

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

The Board of Directors defines, promotes and monitors the sustainability and climate change strategy. With the establishment of a new Global Sustainability Area, reporting to the CEO and also to the Chairman, BBVA has reinforced its governance structure in order to ensure full compliance with these Principles.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on Implementing the Principles for Responsible Banking Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4). Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice. Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.	"The above sections describe the implementation progress in 2021, which is reflected in the publication of: - new targets in 2021, - the update of the Human Rights due diligence process and - the creation of a Global Sustainability area that reports directly to the CEO and Chairman in order to give a definitive boost to sustainability. In accordance with the recommendations of the Financial Stability Board, BBVA has published regular reports on climate change risks and opportunities in accordance with the Task Force on Climate Financial Disclosures (TCFD) standard. BBVA is committed to the consistent, reliable and standardized disclosure of key environmental, social and governance issues related to its business. Among the different existing standards, BBVA includes its non-financial information in the Statement of Non-Financial Information. In addition to the GRI, BBVA publishes progress in ESG disclosures in accordance with two of the most advanced standards in the market: Measuring Stakeholder Capitalism of the International Business Council (IBC) and the World Economic Forum (WEF) and the Sustainability Accounting Standards Board (SASB). Together with the European Banking Federation and UNEPFI, BBVA has participated in the creation of reports on the application of the European Union Taxonomy on banking products. BBVA's progress in the implementation of these principles will be published annually as part of the BBVA Group's Annual Report. Additionally, the subsidiaries BBVA Argentina, BBVA Garanti (Turkey) and BBVA Mexico, as signatories of the Principles for Responsible Banking at local level, will include their progress report in their annual reports."	See sections "Report on climate change and other environmental and social issues", "Our stakeholders". "Commitment to human rights" and "Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards" See Task Force Report on Climate-Relates Financial 2021: https://accionistaseinversores.bbva.com/wp-content/uploads/2021/06/Informe-TCFD-Dic20_esp.pdf

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

BBVA has continued to reinforce transparency with the publication of its second TCFD report, SASB metrics and WEF/IBC Stakeholder Capitalism Metrics, as well as its portfolio alignment objectives. It has also doubled its target for the origination of sustainable finance, and has published new targets related to the decarbonisation of its portfolio. Finally, it has completed its goals with the publication of objectives related to its commitment to the community.

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, BBVA prepared the Annual Corporate Governance Report for 2021 (which is an integral part of the Management Report for that year) following 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. It includes a section detailing the degree to which the Bank is compliant with the recommendations of the Good Governance Code of listed companies in Spain. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's 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, BBVA prepared the Annual Report on the Remuneration of BBVA Directors for 2021 (which is an integral part of the Management Report for that year), including 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. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's website www.bbva.com.

KPMG Auditores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Consolidated Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries for the year 2021

(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 provided limited assurance on the Non-Financial Information Statement Consolidated (hereinafter NFIS) for the year ended 31 December 2021, of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group) which forms part of the 2021 consolidated Group's Directors' Report.

The consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation governing non- financial information that has not been subject of our assurance work. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Index of contents of Law 11/2018" of the accompanying consolidated Directors' Report.

Directors' responsibilities

The Board of Directors of the Parent Company is responsible for the preparation and presentation of the NFIS included in the Group's Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "Index of contents of Law 11/2018" of the aforementioned Group's Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Parent Company's directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on 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.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Group that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

– Meetings with the Group personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.

– Analysis of the scope, relevance and completeness of the content of the 2021 NFIS based on the materiality analysis performed by the Group and described in the section "Additional information on Materiality" considering the content required in prevailing mercantile legislation.

– Analysis of the processes for compiling and validating the data presented in the NFIS for 2021.

– Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2021.

– Corroboration, through sample testing, of the information relative to the content of the NFIS for 2021 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.

– Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Information Statement Consolidated of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries for the year ended 31th December 2021 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Index of contents of Law 11/2018" of the aforementioned consolidated Directors' Report.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the entity´s investments are associated with economic activities eligible in accordance with the Taxonomy. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the NFIS which forms part of the aforementioned consolidated Directors' Report does not contain comparative information on this matter. Additionally, certain information has been included in respect of which, at the date of preparation of the NFIS which forms part of the aforementioned consolidated Directors' Report, the directors of Banco Bilbao Vizcaya Argentaria, S.A. have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation and which are those defined in the section "2.4.2. Information related to article 8 of the European Taxonomy" of the NFIS which forms part of the aforementioned consolidated Directors' Report. Our conclusion is not modified in respect of this matter.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Luis Martin Riaño

11 February 2022

BBVA
Creating Opportunities

III.
Consolidated Financial Statements and Auditor's Report

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ASSETS (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**9**	**67,799**	**65,520**	**44,303**
FINANCIAL ASSETS HELD FOR TRADING	**10**	**123,493**	**105,878**	**99,469**
Derivatives		30,933	40,183	32,232
Equity instruments		15,963	11,458	8,892
Debt securities		25,790	23,970	26,309
Loans and advances to central banks		3,467	53	535
Loans and advances to credit institutions		31,916	18,317	19,020
Loans and advances to customers		15,424	11,898	12,482
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**6,086**	**5,198**	**5,557**
Equity instruments		5,303	4,133	4,327
Debt securities		128	356	110
Loans and advances to customers		655	709	1,120
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**1,092**	**1,117**	**1,214**
Debt securities		1,092	1,117	1,214
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**13**	**60,421**	**69,440**	**61,183**
Equity instruments		1,320	1,100	2,420
Debt securities		59,074	68,308	58,731
Loans and advances to credit institutions		27	33	33
FINANCIAL ASSETS AT AMORTIZED COST	**14**	**372,676**	**367,668**	**439,162**
Debt securities		34,781	35,737	38,877
Loans and advances to central banks		5,681	6,209	4,275
Loans and advances to credit institutions		13,276	14,575	13,649
Loans and advances to customers		318,939	311,147	382,360
DERIVATIVES - HEDGE ACCOUNTING	**15**	**1,805**	**1,991**	**1,729**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**5**	**51**	**28**
JOINT VENTURES AND ASSOCIATES	**16**	**900**	**1,437**	**1,488**
Joint ventures		152	149	154
Associates		749	1,288	1,334
INSURANCE AND REINSURANCE ASSETS	**23**	**269**	**306**	**341**
TANGIBLE ASSETS	**17**	**7,298**	**7,823**	**10,068**
Properties, plant and equipment		7,107	7,601	9,816
For own use		6,874	7,311	9,554
Other assets leased out under an operating lease		233	290	263
Investment properties		191	222	252
INTANGIBLE ASSETS	**18**	**2,197**	**2,345**	**6,966**
Goodwill		818	910	4,955
Other intangible assets		1,379	1,435	2,010
TAX ASSETS	**19**	**15,850**	**16,526**	**17,083**
Current tax assets		932	1,199	1,765
Deferred tax assets		14,917	15,327	15,318
OTHER ASSETS	**20**	**1,934**	**2,513**	**3,800**
Insurance contracts linked to pensions		—	—	—
Inventories		424	572	581
Other		1,510	1,941	3,220
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**1,061**	**85,987**	**3,079**
TOTAL ASSETS	**3, 6**	**662,885**	**733,797**	**695,471**

(*) 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, 2021.

BBVA

Consolidated balance sheets as of December 31, 2021, 2020 and 2019

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**91,135**	**84,109**	**86,414**
Derivatives		31,705	41,680	34,066
Short positions		15,135	12,312	12,249
Deposits from central banks		11,248	6,277	7,635
Deposits from credit institutions		16,176	14,377	22,704
Customer deposits		16,870	9,463	9,761
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**9,683**	**10,050**	**10,010**
Customer deposits		809	902	944
Debt certificates		3,396	4,531	4,656
Other financial liabilities		5,479	4,617	4,410
Memorandum item: Subordinated liabilities		—	—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	**22**	**487,893**	**490,606**	**516,641**
Deposits from central banks		47,351	45,177	25,950
Deposits from credit institutions		19,834	27,629	28,751
Customer deposits		349,761	342,661	384,219
Debt certificates		55,763	61,780	63,963
Other financial liabilities		15,183	13,358	13,758
Memorandum item: Subordinated liabilities		*14,808*	*16,488*	*18,018*
DERIVATIVES - HEDGE ACCOUNTING	**15**	**2,626**	**2,318**	**2,233**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**—**	**—**	**—**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**10,865**	**9,951**	**10,606**
PROVISIONS	**24**	**5,889**	**6,141**	**6,538**
Pensions and other post-employment defined benefit obligations		3,576	4,272	4,631
Other long term employee benefits		632	49	61
Provisions for taxes and other legal contingencies		623	612	677
Commitments and guarantees given		691	728	711
Other provisions		366	479	457
TAX LIABILITIES	**19**	**2,413**	**2,355**	**2,808**
Current tax liabilities		644	545	880
Deferred tax liabilities		1,769	1,809	1,928
OTHER LIABILITIES	**20**	**3,621**	**2,802**	**3,742**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**—**	**75,446**	**1,554**
TOTAL LIABILITIES		**614,125**	**683,777**	**640,546**

(*) 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, 2021.

BBVA

Consolidated balance sheets as of December 31, 2021, 2020 and 2019

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
SHAREHOLDERS' FUNDS		**60,383**	**58,904**	**58,950**
Capital	**26**	**3,267**	**3,267**	**3,267**
Paid up capital		3,267	3,267	3,267
Unpaid capital which has been called up		—	—	—
Share premium	**27**	**23,599**	**23,992**	**23,992**
Equity instruments issued other than capital		**—**	**—**	**—**
Other equity		**60**	**42**	**56**
Retained earnings	**28**	**31,841**	**30,508**	**29,388**
Revaluation reserves	**28**	**—**	**—**	**—**
Other reserves	**28**	**(1,857)**	**(164)**	**(119)**
Reserves or accumulated losses of investments in joint ventures and associates		(247)	(164)	(119)
Other		(1,610)	—	—
Less: treasury shares	**29**	**(647)**	**(46)**	**(62)**
Profit or loss attributable to owners of the parent		**4,653**	**1,305**	**3,512**
Less: Interim dividends		**(532)**	**—**	**(1,084)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**30**	**(16,476)**	**(14,356)**	**(10,226)**
Items that will not be reclassified to profit or loss		**(2,075)**	**(2,815)**	**(1,875)**
Actuarial gains (losses) on defined benefit pension plans		(998)	(1,474)	(1,498)
Non-current assets and disposal groups classified as held for sale		—	(65)	2
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		(1,079)	(1,256)	(403)
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		2	(21)	24
Items that may be reclassified to profit or loss		**(14,401)**	**(11,541)**	**(8,351)**
Hedge of net investments in foreign operations (effective portion)		(146)	(62)	(896)
Foreign currency translation		(14,988)	(14,185)	(9,147)
Hedging derivatives. Cash flow hedges (effective portion)		(533)	10	(44)
Fair value changes of debt instruments measured at fair value through other comprehensive income		1,274	2,069	1,760
Hedging instruments (non-designated items)		—	—	—
Non-current assets and disposal groups classified as held for sale		—	644	(18)
Share of other recognized income and expense of investments in joint ventures and associates		(9)	(17)	(5)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**31**	**4,853**	**5,471**	**6,201**
Accumulated other comprehensive income (loss)		(8,414)	(6,949)	(5,572)
Other items		13,267	12,421	11,773
TOTAL EQUITY		**48,760**	**50,020**	**54,925**
TOTAL EQUITY AND TOTAL LIABILITIES		**662,885**	**733,797**	**695,471**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
Loan commitments given	33	119,618	132,584	130,923
Financial guarantees given	33	11,720	10,665	10,984
Other commitments given	33	34,604	36,190	39,209

(*) 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, 2021.

BBVA

Consolidated income statements for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
Interest and other income	37.1	23,015	22,389	27,762
Interest expense	37.2	(8,329)	(7,797)	(11,972)
NET INTEREST INCOME		**14,686**	**14,592**	**15,789**
Dividend income	38	176	137	153
Share of profit or loss of entities accounted for using the equity method	39	1	(39)	(42)
Fee and commission income	40	6,997	5,980	6,786
Fee and commission expense	40	(2,232)	(1,857)	(2,284)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	134	139	186
Gains (losses) on financial assets and liabilities held for trading, net	41	341	777	419
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	432	208	143
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	335	56	(98)
Gains (losses) from hedge accounting, net	41	(214)	7	55
Exchange differences, net	41	883	359	581
Other operating income	42	661	492	639
Other operating expense	42	(2,041)	(1,662)	(1,943)
Income from insurance and reinsurance contracts	43	2,593	2,497	2,890
Expense from insurance and reinsurance contracts	43	(1,685)	(1,520)	(1,751)
GROSS INCOME		**21,066**	**20,166**	**21,522**
Administration costs		(8,296)	(7,799)	(8,769)
Personnel expense	44.1	(5,046)	(4,695)	(5,351)
Other administrative expense	44.2	(3,249)	(3,105)	(3,418)
Depreciation and amortization	45	(1,234)	(1,288)	(1,386)
Provisions or reversal of provisions	46	(1,018)	(746)	(614)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	47	(3,034)	(5,179)	(3,552)
Financial assets measured at amortized cost		(3,017)	(5,160)	(3,470)
Financial assets at fair value through other comprehensive income		(17)	(19)	(82)
NET OPERATING INCOME		**7,484**	**5,153**	**7,202**
Impairment or reversal of impairment of investments in joint ventures and associates	48	—	(190)	(46)
Impairment or reversal of impairment on non-financial assets	49	(221)	(153)	(128)
Tangible assets		(161)	(125)	(94)
Intangible assets		(19)	(19)	(12)
Other assets		(41)	(9)	(23)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		24	(7)	(5)
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	(40)	444	23
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**7,247**	**5,248**	**7,046**
Tax expense or income related to profit or loss from continuing operations	19	(1,909)	(1,459)	(1,943)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**5,338**	**3,789**	**5,103**
Profit (loss) after tax from discontinued operations	21	280	(1,729)	(758)
PROFIT (LOSS)		**5,618**	**2,060**	**4,345**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**31**	**965**	**756**	**833**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**4,653**	**1,305**	**3,512**

	Notes	2021	2020 (*)	2019 (*)
EARNINGS (LOSSES) PER SHARE (Euros)	**5**	**0.67**	**0.14**	**0.47**
Basic earnings (losses) per share from continuing operations		0.63	0.40	0.58
Diluted earnings (losses) per share from continuing operations		0.63	0.40	0.58
Basic earnings (losses) per share from discontinued operations		0.04	(0.26)	(0.11)
Diluted earnings (losses) per share from discontinued operations		0.04	(0.26)	(0.11)

(*) 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, 2021.

BBVA

Consolidated statements of recognized income and expense for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)			
	2021	2020 (*)	2019 (*)
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	**5,618**	**2,060**	**4,345**
OTHER RECOGNIZED INCOME (EXPENSE)	**(3,977)**	**(5,375)**	**(286)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**358**	**(822)**	**(584)**
Actuarial gains (losses) from defined benefit pension plans	218	(88)	(364)
Non-current assets and disposal groups held for sale	(3)	17	2
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	189	(796)	(229)
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	33	4	(133)
Income tax related to items not subject to reclassification to income statement	(80)	40	140
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(4,335)**	**(4,553)**	**298**
Hedge of net investments in foreign operations (effective portion)	**(117)**	**378**	**(687)**
Valuation gains (losses) taken to equity	(117)	378	(687)
Transferred to profit or loss	—	—	—
Other reclassifications	—	—	—
Foreign currency translation	**(2,256)**	**(4,873)**	**(104)**
Translation gains (losses) taken to equity	(2,239)	(4,873)	(123)
Transferred to profit or loss	(17)	—	1
Other reclassifications	—	—	18
Cash flow hedges (effective portion)	**(691)**	**230**	**(203)**
Valuation gains (losses) taken to equity	(553)	230	(193)
Transferred to profit or loss	(137)	—	(10)
Transferred to initial carrying amount of hedged items	—	—	—
Other reclassifications	—	—	—
Debt securities at fair value through other comprehensive income	**(1,139)**	**460**	**1,131**
Valuation gains (losses) taken to equity	(1,082)	515	1,280
Transferred to profit or loss	(57)	(54)	(149)
Other reclassifications	—	—	—
Non-current assets and disposal groups held for sale	**(663)**	**(492)**	**461**
Valuation gains (losses) taken to equity	(30)	(472)	472
Transferred to profit or loss	(633)	(20)	—
Other reclassifications	—	—	(11)
Entities accounted for using the equity method	**8**	**(13)**	**31**
Income tax relating to items subject to reclassification to income statements	**523**	**(243)**	**(332)**
TOTAL RECOGNIZED INCOME (EXPENSE)	**1,640**	**(3,315)**	**4,060**
Attributable to minority interest (non-controlling interests)	**(500)**	**(606)**	**552**
Attributable to the parent company	**2,141**	**(2,709)**	**3,509**

(*) 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, 2021.

BBVA

Consolidated statements of changes in equity for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2021	**Capital (Note 26)**	**Share Premium (Note 27)**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 28)**	**Revaluation reserves (Note 28)**	**Other reserves (Note 28)**	**(-) Treasury shares (Note 29)**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends (Note 4)**	**Accumulated other comprehensive income (loss) (Note 30)**	**Accumulated other comprehensive income (loss) (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2021 (*)	**3,267**	**23,992**	**—**	**42**	**30,508**	**—**	**(164)**	**(46)**	**1,305**	**—**	**(14,356)**	**(6,949)**	**12,421**	**50,020**
Effect of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted initial balance	**3,267**	**23,992**	**—**	**42**	**30,508**	**—**	**(164)**	**(46)**	**1,305**	**—**	**(14,356)**	**(6,949)**	**12,421**	**50,020**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,653**	**—**	**(2,512)**	**(1,465)**	**965**	**1,640**
Other changes in equity	**—**	**(393)**	**—**	**17**	**1,333**	**—**	**(1,693)**	**(600)**	**(1,305)**	**(532)**	**391**	**—**	**(119)**	**(2,900)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	(532)	—	—	(119)	(1,045)
Purchase of treasury shares	—	—	—	—	—	—	—	(1,022)	—	—	—	—	—	(1,022)
Sale or cancellation of treasury shares	—	—	—	—	—	—	17	421	—	—	—	—	—	438
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	1,693	—	(780)	—	(1,305)	—	391	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(11)	—	—	—	—	—	—	—	—	—	(11)
Other increases or (-) decreases in equity	—	—	—	28	(360)	—	(930)	—	—	—	—	—	1	(1,260)
Balances 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**

(*) 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, 2021.

Consolidated statements of changes in equity for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2020 (*)	**Capital (Note 26)**	**Share Premium (Note 27)**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 28)**	**Revaluation reserves (Note 28)**	**Other reserves (Note 28)**	**(-) Treasury shares (Note 29)**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends (Note 4)**	**Accumulated other comprehensive income (loss) (Note 30)**	**Accumulated other comprehensive income (loss) (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2020 (**)	**3,267**	**23,992**	**—**	**56**	**26,402**	**—**	**(125)**	**(62)**	**3,512**	**(1,084)**	**(7,234)**	**(3,527)**	**9,728**	**54,925**
Effect of changes in accounting policies	—	—	—	—	2,986	—	6	—	—	—	(2,992)	(2,045)	2,045	—
Adjusted initial balance	**3,267**	**23,992**	**—**	**56**	**29,388**	**—**	**(119)**	**(62)**	**3,512**	**(1,084)**	**(10,226)**	**(5,572)**	**11,773**	**54,925**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,305**	**—**	**(4,014)**	**(1,361)**	**755**	**(3,315)**
Other changes in equity	**—**	**—**	**—**	**(14)**	**1,120**	**—**	**(45)**	**16**	**(3,512)**	**1,084**	**(116)**	**(16)**	**(107)**	**(1,590)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,066)	—	—	—	—	—	—	—	(124)	(1,190)
Purchase of treasury shares	—	—	—	—	—	—	—	(807)	—	—	—	—	—	(807)
Sale or cancellation of treasury shares	—	—	—	—	—	—	—	823	—	—	—	—	—	823
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity (see Note 2.2.19)	—	—	—	—	2,585	—	(41)	—	(3,512)	1,084	(116)	(16)	16	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity	—	—	—	8	(399)	—	(4)	—	—	—	—	—	1	(394)
Balances as of December 31, 2020	**3,267**	**23,992**	**—**	**42**	**30,508**	**—**	**(164)**	**(46)**	**1,305**	**—**	**(14,356)**	**(6,949)**	**12,421**	**50,020**

(*) Presented for comparison purposes only (see Note 1.3).
(**) Balances as of December 31, 2019 as originally reported in the Consolidated Financial Statements for the year 2019.

The Notes and Appendices are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2021.

Consolidated statements of changes in equity for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2019 (*)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest: Accumulated other comprehensive income (loss) (Note 31)	Non-controlling interest: Other (Note 31)	Total
Balances as of January 1, 2019 (**)	**3,267**	**23,992**	**—**	**50**	**23,017**	**3**	**(56)**	**(296)**	**5,324**	**(975)**	**(7,216)**	**(3,236)**	**9,000**	**52,874**
Effect of changes in accounting policies	—	—	—	—	3,046	—	19	—	76	(134)	(3,007)	(2,054)	2,054	—
Adjusted initial balance	**3,267**	**23,992**	**—**	**50**	**26,063**	**3**	**(37)**	**(296)**	**5,400**	**(1,109)**	**(10,223)**	**(5,290)**	**11,054**	**52,874**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,512**	**—**	**(3)**	**(282)**	**833**	**4,060**
Other changes in equity	**—**	**—**	**—**	**6**	**3,325**	**(3)**	**(82)**	**234**	**(5,400)**	**25**	**—**	**—**	**(114)**	**(2,009)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,063)	—	—	—	—	(1,084)	—	—	(142)	(2,289)
Purchase of treasury shares	—	—	—	—	—	—	—	(1,088)	—	—	—	—	—	(1,088)
Sale or cancellation of treasury shares	—	—	—	—	13	—	—	1,322	—	—	—	—	—	1,335
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity (see Note 2.2.19)	—	—	—	—	4,364	(3)	(70)	—	(5,400)	1,109	—	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(4)	—	—	—	—	—	—	—	—	—	(4)
Other increases or (-) decreases in equity	—	—	—	10	11	—	(12)	—	—	—	—	—	28	37
Balances as of December 31, 2019	**3,267**	**23,992**	**—**	**56**	**29,388**	**—**	**(119)**	**(62)**	**3,512**	**(1,084)**	**(10,226)**	**(5,572)**	**11,773**	**54,925**

(*) Presented for comparison purposes only (see Note 1.3).
(**) Balances as of December 31, 2018 as originally reported in the Consolidated Financial Statements for the year 2018.

The Notes and Appendices are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2021.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails

BBVA

Consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)		**(1,242)**	**39,349**	**(10,654)**
1. Profit for the year		**5,618**	**2,060**	**4,345**
2. Adjustments to obtain the cash flow from operating activities		**7,688**	**11,653**	**9,582**
Depreciation and amortization		1,234	1,288	1,386
Other adjustments		6,454	10,365	8,196
3. Net increase/decrease in operating assets		**(38,267)**	**(57,370)**	**(37,127)**
Financial assets held for trading		(17,031)	(10,351)	(9,604)
Non-trading financial assets mandatorily at fair value through profit or loss		(908)	(241)	(318)
Other financial assets designated at fair value through profit or loss		25	97	99
Financial assets at fair value through other comprehensive income		7,116	(16,649)	(3,755)
Financial assets at amortized cost		(28,062)	(30,212)	(26,559)
Other operating assets		592	(15)	3,010
4. Net increase/decrease in operating liabilities		**25,266**	**84,961**	**14,148**
Financial liabilities held for trading		6,479	247	6,001
Other financial liabilities designated at fair value through profit or loss		(837)	647	2,680
Financial liabilities at amortized cost		19,682	84,853	8,016
Other operating liabilities		(58)	(787)	(2,549)
5. Collection/Payments for income tax		**(1,546)**	**(1,955)**	**(1,602)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)		**(1,634)**	**(37)**	**97**
1. Investment		**(12,472)**	**(1,185)**	**(1,494)**
Tangible assets		(396)	(632)	(852)
Intangible assets		(550)	(491)	(528)
Investments in joint ventures and associates		(50)	(62)	(114)
Subsidiaries and other business units		—	—	—
Non-current assets classified as held for sale and associated liabilities	21	(11,476)	—	—
Other settlements related to investing activities		—	—	—
2. Divestments		**10,838**	**1,148**	**1,592**
Tangible assets		78	558	128
Intangible assets		—	—	—
Investments in joint ventures and associates		80	307	98
Subsidiaries and other business units		10	—	5
Non-current assets classified as held for sale and associated liabilities	21	10,670	283	1,198
Other collections related to investing activities		—	—	162
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)		**(4,349)**	**(2,069)**	**(2,703)**
1. Payments		**(4,786)**	**(5,316)**	**(7,418)**
Dividend distribution (shareholders remuneration)		(926)	(1,065)	(2,147)
Subordinated liabilities		(2,301)	(2,820)	(3,571)
Treasury stock amortization		—	—	—
Treasury stock acquisition		(1,022)	(807)	(1,088)
Other items relating to financing activities		(538)	(624)	(612)
2. Collections		**438**	**3,247**	**4,716**
Subordinated liabilities		—	2,425	3,381
Treasury shares increase		—	—	—
Treasury shares disposal		438	822	1,335
Other items relating to financing activities		—	—	—
D) EFFECT OF EXCHANGE RATE CHANGES		**(1,864)**	**(4,658)**	**(634)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		**(9,089)**	**32,585**	**(13,893)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (**)		**76,888**	**44,303**	**58,196**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F) (***)		**67,799**	**76,888**	**44,303**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)	Notes	2021	2020 (*)	2019 (*)
Cash	9	6,877	6,447	7,060
Balance of cash equivalent in central banks	9	55,004	53,079	31,756
Other financial assets	9	5,918	5,994	5,488
Less: Bank overdraft refundable on demand		—	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**67,799**	**65,520**	**44,303**
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED AS NON-CURRENT ASSETS AND DISPOSABLE GROUPS CLASSIFIED AS HELD FOR SALE IN THE UNITED STATES	**21**	**—**	**11,368**	**—**

(*) Presented for comparison purposes only (see Note 1.3).

(**) In 2021 it includes the balance of the Group's businesses in the United States included within the scope of the USA Sale (see Notes 1.3, 3 and 21).

(***) With respect to 2020 only, it includes the balance of the companies in the United States included within the scope of the USA Sale (see Notes 1.3, 3 and 21).

The Notes and Appendices are an integral part of the consolidated statement of cash flows for the year ended December 31, 2021.

Notes to the accompanying 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, 2021, the BBVA Group had 205 consolidated entities and 45 entities accounted for using the equity method (see Notes 3 and 16 and Appendix I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2020 were approved by the shareholders at the Annual General Meeting ("AGM") held on April 20, 2021.

BBVA Group's Consolidated Financial Statements and the Financial Statements for the Bank and the majority of the remaining entities within the Group have been prepared for the year ended December 31, 2021, and are pending approval by their respective AGMs. However, the Board of Directors of the Bank believes that said financial statements will be approved without changes.

1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group's Consolidated Financial Statements are presented in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31, 2021, considering the Bank of Spain Circular 4/2017, 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 accompanying Consolidated Financial Statements for the year ended December 31, 2021 were prepared by the Group's Directors (through the Board of Directors meeting held on February 9, 2022) 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, 2021, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2021.

These Consolidated Financial Statements were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. Moreover, they include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the Group (see Note 2.2).

All effective accounting standards and valuation criteria with a significant effect in the Consolidated Financial Statements were applied in their preparation.

The amounts reflected in the accompanying 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 accompanying consolidated financial statements for the years ended December 31, 2020 and 2019, is presented in accordance with the applicable regulation, for the purpose of comparison with the information for the year ended December 31, 2021.

Sale of BBVA's U.S. subsidiary

As mentioned in Note 3, in 2020, BBVA reached an agreement to sell its entire stake in BBVA USA Bancshares, Inc., which in turn owned all the capital stock of the bank BBVA USA, as well as other companies of the BBVA Group in the United States with activities related to this banking business. On June 1, 2021 and once the mandatory authorizations had been obtained, BBVA completed this sale (the USA Sale).

As required by IFRS 5 "Non-current assets held for sale and discontinued operations", the balances of assets and liabilities corresponding to such companies for sale were reclassified from their corresponding accounting headings to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" respectively, in the consolidated balance sheet as of December 31, 2020. Similarly, as required by the aforementioned IFRS 5, the results generated by these companies for the first five months of 2021 and for 2020 are presented in the heading "Profit (loss) after tax from discontinued operations" of the consolidated income statement for such period, and in the heading "Non-current assets and disposal groups classified as held for sale" of the consolidated statements of recognized income and expense for 2021 and 2020, respectively. Additionally, the results corresponding to the year ended December 31, 2019 were reclassified, to facilitate the comparison between periods, to those same headings of the consolidated income statement and consolidated statement of recognized income and expense for that year. Finally, the total consideration received in cash for the USA Sale has been recorded under the heading of "Divestments - Non-current assets classified as held for sale and associated liabilities" of the consolidated statements of cash flows for the year ended December 31, 2021.

Note 21 shows a breakdown of the financial information of the companies sold in the United States for the dates and periods indicated.

(Reverse) Repurchase Agreements Recognition

Beginning in 2021, certain repurchase agreements and reverse repurchase agreements began to be presented on a net basis in the consolidated balance sheet. In order to make the information as of December 31, 2020 and 2019 comparable with the information as of December 31, 2021, the information as of December 31, 2020 and 2019 was adjusted by reducing Total assets and Total liabilities by €2,379 and €2,266 million in 2020 and 2019, respectively.

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 Management and impacts of the COVID-19 pandemic

In 2020, the COVID-19 pandemic had adverse effects on the Group's results and capital base. During 2021, the pandemic has continued to evolve with gradual improvements in the global economic conditions, mainly due to the vaccination progress against the coronavirus and the significant economic stimuli adopted by authorities, which have supported the improvement in the 2021 results of the Group. However, there are still uncertainties about the future final impact of the COVID-19 pandemic, mainly in consideration of the increasing number of infections caused by new variants of the coronavirus. The Group continuously monitors these changes and their impacts on the business.

The main impacts of COVID-19 pandemic in the BBVA Group's Consolidated Financial Statements are detailed in the following Notes:

- Note 1.6 includes information on the consideration of the COVID-19 pandemic in the estimates made.
- Note 7.1 details the main risks associated with the pandemic as well as information on its evolution and its impact in the macroeconomic forecasts.
- Note 7.2 includes information related to the initiatives carried out by the Group to help the most affected clients, jointly with the corresponding government measures. Likewise, it contains, among others, information regarding the level of activity and the amount corresponding to moratorium measures, both public and private, granted by the Group worldwide. Additionally, the measures applied to the treatment of forward looking information used in the calculation of expected losses are detailed.
- Note 7.5 presents information regarding the impact on liquidity and funding risk.
- Note 18.1 includes information concerning the impairment of the goodwill in the United States recorded during the first quarter of 2020, mainly due to the impact of COVID-19 in updating the macroeconomic scenario and the expected evolution of interest rates.
- Note 47 includes information on the impact of the update of the macroeconomic scenario affected by the COVID-19 pandemic mainly during the year ended December 31, 2020.

1.6 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, 12, 13, 14 and 16).
- The assumptions used to quantify certain provisions (see Notes 23 and 24) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 25).
- The useful life and impairment losses of tangible and intangible assets (see Notes 17, 18, and 21)
- The valuation of goodwill and price allocation of business combinations (see Note 18).
- The fair value of certain unlisted financial assets and liabilities (see Notes 7, 8, 10, 11, 12 and 13).
- The recoverability of deferred tax assets (see Note 19).

As mentioned above, in 2021, the pandemic has continued to evolve with gradual improvements in the global economic conditions, although there is still uncertainty about the final future impact (see Note 1.5). The increased uncertainty associated with the unprecedented nature of this pandemic has entailed greater complexity in developing reliable estimates and applying judgment.

Therefore, these estimates were made on the basis of the best available information on the matters analyzed, as of December 31, 2021. However, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward). Any such changes would be recorded prospectively, recognizing the effects of the change in estimation in the corresponding consolidated financial statements.

During 2021 there have been no significant changes in the estimates made as of December 31, 2020 and 2019, with the exception of those indicated in these Consolidated Financial Statements.

1.7 BBVA Group's Internal Control over Financial Reporting

BBVA Group's Consolidated Financial Statements are prepared under an Internal Control over Financial Reporting Model (ICFR). It provides reasonable assurance with respect to the reliability and the integrity of the consolidated financial statements. It is also aimed to ensure that the transactions are processed in accordance with the applicable laws and regulations.

The ICFR model is compliant with the control framework established in 2013 by the "Committee of Sponsoring Organizations of the Treadway Commission" (hereinafter, "COSO"). The COSO 2013 framework sets out five components that constitute the basis of the effectiveness and efficiency of the internal control systems:

- The establishment of an appropriate control framework.
- The assessment of the risks that could arise during the preparation of the financial information.
- The design of the necessary controls to mitigate the identified risks.
- The establishment of an appropriate system of information to detect and report system weaknesses.
- The monitoring over the controls to ensure they perform correctly and are effective over time.

The ICFR model is a dynamic model that continuously evolves over time to reflect the reality of the BBVA Group's businesses and processes, as well as the risks and controls designed to mitigate them. It is subject to a continuous evaluation by the internal control units located in the different entities of BBVA Group.

These control units are integrated within the BBVA internal control model, defined and led by Regulation & Internal Control, and which is based in two pillars:

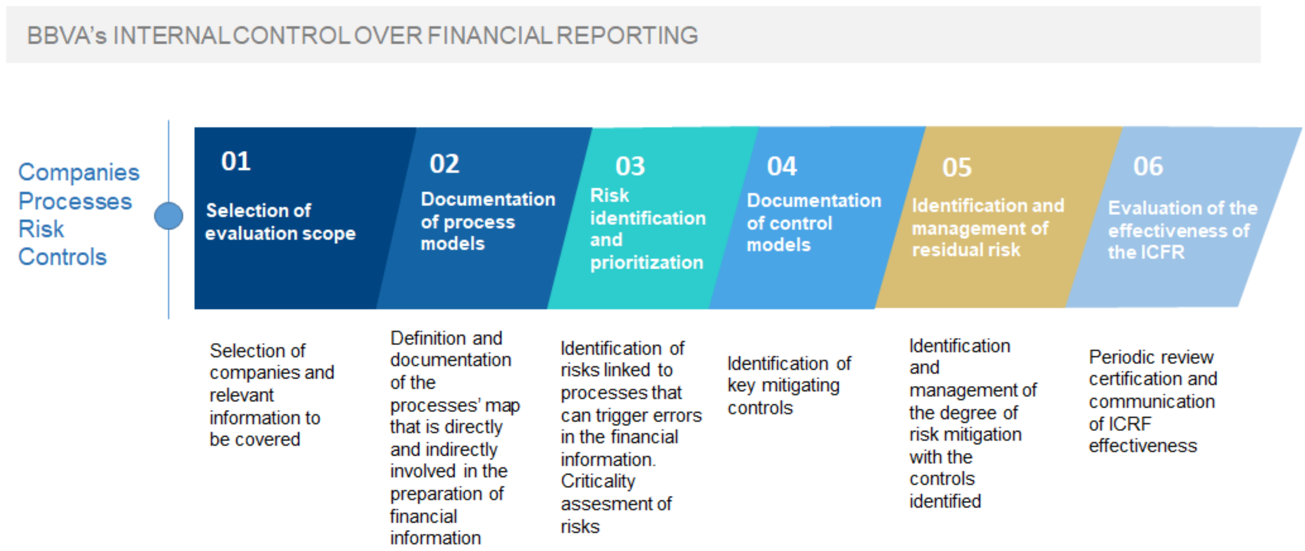
- A control system organized into three lines of defense that has been updated and strengthened, as described below:
    a. The first line of defense (1LoD) is located within the business and support units, which are responsible for identifying risks associated with their processes, as well as for implementing 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 model.

– A committee structure in the Group, called Corporate Assurance, which enables the escalation of possible weaknesses and internal control issues to the management at a Group level and also in each of the countries where the Group operates.

The Internal Control Finance (RCS Finance) units within Finance comply with a common and standard methodology established at the Group level, as set out in the following diagram:



The ICFR model is subject to annual evaluations 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 is also required to comply with the Sarbanes-Oxley Act (hereafter "SOX") as a registered company with the U.S. Securities and Exchange Commission ("SEC"). The main senior executives of the Group are involved in the design, compliance and implementation of the internal control model to make 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 attached to the consolidated financial statements for the year ended December 31, 2021.

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 accompanying Consolidated Financial Statements.

2.1 Principles of consolidation

In terms of its consolidation, in accordance with the criteria established by IFRS, the BBVA Group is made up of four types of entities: subsidiaries, joint ventures, associates and structured entities, defined as follows:

– Subsidiaries

Subsidiaries are entities controlled by the Group (for definition of control, see Glossary). The financial statements of the subsidiaries are fully consolidated with those of the Bank. The share of non-controlling interests from subsidiaries in the Group's consolidated total equity is presented under the heading "Minority interests (Non-controlling interests)" in the consolidated balance sheet. Their share in the profit or loss for the period or year is presented under the heading "Attributable to minority interest (non-controlling interests)" in the accompanying consolidated income statement (see Note 31).

Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2021. Appendix I includes other significant information on all entities.

– Joint ventures

Joint ventures are those entities for which there is a joint control arrangement with third parties other than the Group (for definitions of joint arrangement, joint control and joint venture, refer to Glossary).

The investments in joint ventures are accounted for using the equity method (see Note 16). Appendix II shows the main figures for joint ventures accounted for using the equity method as of December 31, 2021.

– Associates

Associates are entities in which the Group is able to exercise significant influence (for definition of significant influence, see Glossary). Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly, unless it can be clearly demonstrated that this is not the case.

Certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since the Group does not have the ability to exercise significant influence over these entities. Investments in these entities, which do not represent material amounts for the Group, are classified as "Financial assets at fair value through other comprehensive income" or "Non-trading financial assets mandatorily at fair value through profit or loss".

In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities. As of December 31, 2021, these entities are not significant to the Group.

Appendix II shows the most significant information related to the associates (see Note 16), which are accounted for using the equity method.

– Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the voting rights relate to administrative matters only and the relevant activities are directed by means of contractual arrangements (see Glossary).

In those cases where the Group sets up entities or has a holding in such entities, in order to allow its customers access to certain investments, to transfer risks or for other purposes, in accordance with internal criteria and procedures and with applicable regulations, the Group determines whether control over the entity in question actually exists and therefore whether it should be subject to consolidation.

Such methods and procedures determine whether there is control by the Group, considering how the decisions are made about the relevant activities, assessing whether the Group has control over the relevant elements, exposure to variable returns from involvement with the investee and the ability to use control over the investee to affect the amount of the investor's returns.

– Structured entities subject to consolidation

To determine if a structured entity is controlled by the Group, and therefore should be consolidated into the Group, the existing contractual rights (different from the voting rights) are analyzed. For this reason, an analysis of the structure and purpose of each investee is performed and, among others, the following factors will be considered:

a. Evidence of the current ability to manage the relevant activities of the investee according to the specific business needs (including any decisions that may arise only in particular circumstances).

b. Potential existence of a special relationship with the investee.

c. Implicit or explicit Group commitments to support the investee.

d. The ability to use the Group´s power over the investee to affect the amount of the Group's returns.

These types of entities include cases where the Group has a high exposure to variable returns and retains decision-making power over the investee, either directly or through an agent.

The main structured entities of the Group are the asset securitization funds, to which the BBVA Group transfers loans and advances, and other vehicles, which allow the Group's customers to gain access to certain investments or to allow for the transfer of risks or for other purposes (see Appendices I and V). The BBVA Group maintains the decision-making power over the relevant activities of these vehicles and financial support through securitized market standard contracts. The most common ones are: investment positions in equity note tranches, funding through subordinated debt, credit enhancements through derivative instruments or liquidity lines, management rights of defaulted securitized assets, "clean-up" call derivatives, and asset repurchase clauses by the grantor.

For these reasons, the loans and receivable portfolios related to the vast majority of the securitizations carried out by the Bank or Group subsidiaries are not derecognized in the books of said entity and the issuances of the related debt securities are recorded as liabilities within the Group's consolidated balance sheet.

For additional information on the accounting treatment for the transfer and derecognition of financial instruments, see Note 2.2.2. "Transfers and derecognition of financial assets and liabilities".

– Non-consolidated structured entities

The Group owns other vehicles also for the purpose of allowing customers access to certain investments, to transfer risks, and for other purposes, but without the Group having control of the vehicles, which are not consolidated in accordance with IFRS 10 – "Consolidated Financial Statements". The balance of assets and liabilities of these vehicles is not material in relation to the Group's Consolidated Financial Statements.

As of December 31, 2021, there was no material financial support from the Bank or its subsidiaries to unconsolidated structured entities.

The Group does not consolidate any of the mutual funds it manages since the necessary control conditions are not met. Particularly, the BBVA Group does not act as arranger but as agent since it operates the mutual funds on behalf and for the benefit of investors or parties (arranger or arrangers) and, for this reason it does not control the mutual funds when exercising its authority for decision making.

The mutual funds managed by the Group are not considered structured entities (generally, retail funds without corporate identity over which investors have participations which gives them ownership of said managed equity). These funds are not dependent on a capital structure that could prevent them from carrying out activities without additional financial support, being in any case insufficient as far as the activities themselves are concerned. Additionally, the risk of the investment is absorbed by the fund participants, and the Group is only exposed when it becomes a participant, and as such, there is no other risk for the Group.

In all cases, the operating results of equity method investees acquired by the BBVA Group in a particular period only include the period from the date of acquisition to the financial statements date. Similarly, the results of entities disposed of during any year only include the period from the start of the year to the date of disposal.

The consolidated financial statements of subsidiaries, associates and joint ventures used in the preparation of the Consolidated Financial Statements of the Group have the same presentation date as the Consolidated Financial Statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusted to take into account the most significant transactions. As of December 31, 2021, financial statements as of December 31 of all Group entities were utilized except for the case of the consolidated financial statements of six associates deemed non-significant for which financial statements as of November 30, 2021 were used.

Separate financial statements

The separate financial statements of the parent company of the Group are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain, and following other regulatory requirements of financial information applicable to the Bank). The Bank uses the cost method to account in its separate financial statements for its investments in subsidiaries, associates and joint venture entities, which are consistent with the requirements of Bank of Spain Circular 4/2017.

Appendix IX shows BBVA's financial statements as of and for the years ended December 31, 2021 and 2020.

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 accompanying 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 the way in which the risks that affect the performance of the business model are managed;
- The way in which business model managers are remunerated;
- The frequency, amount and timing of sales in previous years, the reasons for such sales and expectations regarding future sales.

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 (an 'accounting mismatch') that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains or losses on them, 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) are recognized as their net value 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 accompanying consolidated income statement (see Note 41). Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (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" (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 accompanying 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.

Net loss allowances of assets recorded under these headings arising in each period 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;

- 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 accompanying consolidated income statements (see Note 41). The changes in the own credit risk of the liabilities designated under the fair value option is presented in "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk", unless this treatment brings about or increases an asymmetry in the income statement. Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (Note 41).

"Financial liabilities at amortized cost"

The liabilities under this category are subsequently measured at amortized cost, using the "effective interest rate" method.

Hybrid financial liabilities

When a financial liability contains an embedded derivative, the Group analyzes whether the economic characteristics and risks of the embedded derivative and the host instrument are closely related.

If the characteristics and risks of the host and the derivative are closely related, the instrument as a whole will be classified and measured according to the general rules for financial liabilities. If, on the other hand, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, its terms meet the definition of a derivative and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss, the embedded derivative shall be separated from the host and accounted for as a derivative separately at fair value with changes in profit and loss and the host instrument classified and measured according to its nature.

"Derivatives-Hedge Accounting" and "Fair value changes of the hedged items in portfolio hedges of interest-rate risk"

The Group uses financial derivatives as a tool for managing financial risks, mainly interest rates and exchange rates (See Note 7).

When these transactions meet certain requirements, they are considered "hedging instruments".

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 accompanying 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 under the headings "Interest and other income" or "Interest expense" at the time when the gain or loss in the hedged instrument affects profit or loss, when 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 are for interest rate risk and inflation of financial instruments, so their differences are recognized under the heading "Interest and other income" or "Interest expense" in the consolidated income statement (see Note 37).

- Differences in the measurement 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 the hedges of net investments in foreign operations, the differences 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 entry under the heading "Hedging derivatives" of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences in valuation are recognized in the consolidated income statement when the investment in a foreign operation 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 has 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, 2021, the Group has not used terms exceeding 90 days past due.

b. Impaired assets for subjective reasons (other than delinquency): when circumstances are identified that show, even in the absence of defaults, that it is not probable that the debtor will fully comply with its financial obligations. For this purpose, the following indicators are considered, among others:

   – Significant financial difficulties of the issuer or the borrower.

   – Granting by the lender or lenders to the borrower, for economic or contractual reasons related to the latter's financial difficulties, of concessions or advantages that they would not have otherwise granted.

   – Breach of contractual clauses, such as events of default or default.

   – Increasing probability that the borrower will go into bankruptcy or some other situation of financial reorganization.

   – Disappearance of an active market for the financial asset due to financial difficulties.

   – Others that may affect the committed cash flows such as the loss of the debtor's license or that it has committed fraud.

   – Generalized delay in payments. In any case, this circumstance exists when, during a continuous period of 90 days prior to the reporting date, a material amount has remained unpaid.

   – Sales of credit exposures of a client with a significant economic loss will imply that the rest of its operations are considered impaired.

   Relating to the granting of concessions due to financial difficulties, it is considered that there is an indicator of unlikeliness to pay, and therefore the client must be considered impaired, when the refinancing or restructuring measures may result in a diminished financial obligation caused by a forgiveness or material deferral of principal, interest or fees. Specifically, unless proven otherwise, transactions that meet any of the following criteria will be reclassified to the category of impaired assets:

   a. Irregular repayment schedule.

   b. Contractual clauses that delay the repayment of the loan through regular payments. Among others, grace periods of more than two years for the amortization of the principal will be considered clauses with these characteristics.

   c. Amounts of principal or interest written off from the balance sheet as its recovery is considered remote.

   In any case, a restructuring will be considered impaired when the reduction in the net present value of the financial obligation is greater than 1% in accordance with the new management criteria introduced during 2021.

Credit risk management for wholesale counterparties is carried out at the customer (or group) level. For this reason, the classification of any of a client's material exposures as impaired, whether due to more than 90 days of default or due to any of the subjective criteria, implies the classification as impaired of all the client's exposures.

Regarding retail clients, which are managed at the individual loan level, the scoring systems review their score, among other factors, in the event of a breach in any of their operations or incurring generalized delays in payments, which also triggers the necessary recovery actions. Among them are the refinancing measures that, where appropriate, may lead to all the client's operations being considered impaired. Furthermore, given the granularity of the retail portfolios, the differential behavior of these clients in relation to their products and collateral provided, as well as the time necessary to find the best solution, the Group has established as an indicator that when a transaction of a retail client is in default in excess of 90 days or shows a general delay in payments and this represents more than 20% of the client's total balance, all its transactions are considered impaired.

When operations by entities related to the client fall into Stage 3, including both entities of the same group and those with which there is a relationship of economic or financial dependence, the transactions of the holder will also be classified as Stage 3 if after the analysis it is concluded that there are reasonable doubts about the full payment of the loans.

The Stage 3 classification will be maintained for a cure period of 3 months from the disappearance of all indicators of impairment during which the client must demonstrate good payment behavior and an improvement in their credit quality in order to corroborate the disappearance of the causes that motivated the classification of the debt as impaired. In the case of refinancing and restructuring, the cure period is one year (see Note 7.2.7 for more details).

These criteria are aligned in all the geographies 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 (see Note 7.2.1).

- 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, 2021, 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 (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 segmented 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).

2.2.2 Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the form in which risks and benefits associated with the financial assets involved are transferred to third parties. Financial assets are only derecognized from the consolidated balance sheet when the cash flows that they generate are extinguished, when their implicit risks and benefits have been substantially transferred to third parties or when the control of financial asset is transferred even in case of no physical transfer or substantial retention of such assets. In the latter case, the financial asset transferred is derecognized from the consolidated balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously recognized.

Similarly, financial liabilities are derecognized from the consolidated balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

The Group is considered to have transferred substantially all the risks and benefits if such risks and benefits account for the majority of the risks and benefits involved in ownership of the transferred financial assets. If substantially all the risks and benefits associated with the transferred financial asset are retained:

- The transferred financial asset is not derecognized from the consolidated balance sheet and continues to be measured using the same criteria as those used before the transfer.

- A financial liability is recognized at the amount equal to the amount received, which is subsequently measured at amortized cost or fair value with changes in the income statement, whichever the case.

- Both the income generated on the transferred (but not derecognized) financial asset and the expense of the new financial liability continue to be recognized.

Treatment of securitizations

The securitizations funds to which the Group entities transfer their credit portfolios are consolidated entities of the Group. For more information, refer to Note 2.1 “Principles of consolidation”.

The Group considers that the risks and benefits of the securitizations are substantially retained if the subordinated bonds are held and/ or if subordination funding has been granted to those securitization funds, which means that the credit loss risk of the securitized assets will be assumed. Consequently, the Group is not derecognizing those transferred loan portfolios.

Synthetic securitizations are transactions where risk is transferred through derivatives or financial guarantees and in which the exposure of these securitizations remains in the balance sheet of the Group. The Group has established the synthetic securitizations through received financial guarantees. As for the commissions paid, they are accrued during the term of the financial guarantee.

2.2.3 Financial guarantees

Financial guarantees are considered to be those contracts that require their issuer to make specific payments to reimburse the holder of the financial guarantee for a loss incurred when a specific borrower breaches its payment obligations on the terms – whether original or subsequently modified – of a debt instrument, irrespective of the legal form it may take. Financial guarantees may take the form of a deposit, bank guarantee, insurance contract or credit derivative, among others.

In their initial recognition, financial guarantees are recognized as liabilities in the consolidated balance sheet at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and the Group simultaneously recognizes a corresponding asset in the consolidated balance sheet for the amount of the fees and commissions received at the inception of the transactions and the amounts receivable at the present value of the fees, commissions and interest outstanding.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying loss allowances on debt instruments measured at amortized cost (see Note 2.2.1).

The provisions recognized for financial guarantees are recognized under the heading “Provisions - Provisions for contingent risks and commitments” on the liability side in the consolidated balance sheets (see Note 24). These provisions are recognized and reversed with a charge or credit, respectively to “Provisions or reversal of provision” in the consolidated income statements (see Note 46).

Income from financial guarantees is recorded under the heading “Fee and commission income” in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 40).

Synthetic securitizations made by the Group to date meet the requirements of the accounting regulations for accounting as guarantees. Consideration as a financial guarantee means recognition of the commission paid for it over the period.

2.2.4 Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale

The heading “Non-current assets and disposal groups classified as held for sale” in the consolidated balance sheet includes the carrying amount of individual items or items integrated in a group ("disposal group") or that form part of a significant business line or geographic area that is intended to be disposed of (“discontinued operation”) whose sale is highly probable to take place under the current conditions within a period of one year from the date to which the financial statements refer. Additionally, assets that were expected to be disposed of within a year but which disposal is delayed due to events and circumstances beyond the control of the Group can be classified as held for sale (see Note 21).

Symmetrically, the heading “Liabilities included in disposal groups classified as held for sale” in the consolidated balance sheet reflects the balances payable arising from disposal groups and discontinued operations.

With respect to the subsidiaries of the BBVA Group, the heading "Non-current assets and disposal groups classified as held for sale" includes the assets received by the subsidiaries for the satisfaction, in whole or in part, of the payment obligations of their debtors (foreclosed or received in payment of debt or recoveries from financial leasing transactions, unless the Group has decided to make continued use of those assets). The BBVA Group has specific units focused on real estate management and sale of these types of assets.

Non-current assets and disposal groups classified as held for sale are measured, at the acquisition date and at any later date deemed necessary, at either their carrying amount or the fair value of the property (less costs to sell), whichever is lower. An impairment or reversal of impairment for the difference is recognized if applicable. When the amount of the sale less estimated costs of sale is higher than the carrying value, the gain is not recognized until the moment of disposal and derecognition from the balance sheet.

Non-current assets and disposal groups classified as held for sale are not depreciated while included under the heading “Non-current assets and disposal groups classified as held for sale”.

In the case of real estate assets foreclosed or received in payment of debts, they are initially recognized at the lower of: the restated carrying amount of the financial asset and the fair value at the time of the foreclosure or receipt of the asset less estimated sales costs. The carrying amount of the financial asset is updated at the time of the foreclosure, treating the real property received as a secured collateral and taking into account the credit risk coverage that would correspond to it according to its classification prior to the delivery. For these purposes, the collateral will be valued at its current fair value (less sale costs) at the time of foreclosure. This carrying amount will be compared with the previous carrying amount and the difference will be recognized as a provision increase, if applicable. On the other hand, the fair value of the foreclosed assets is based mainly on appraisals or valuations carried out by independent experts on an annual basis or more frequently if there are indications of impairment by appraisal, evaluating the need to apply a discount on the asset derived from the specific conditions of the asset or the market situation for these assets and in any case, deducting the company’s estimated sale costs.

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and liabilities included in disposal groups classified as held for sale as well as impairment losses and, where pertinent, the related recoveries, are recognized in “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” in the consolidated income statement (see Note 50). The remaining income and expense items associated with these assets and liabilities are classified within the relevant consolidated income statement headings.

Income and expense for discontinued operations, whatever their nature, generated during the year, even if they have occurred before their classification as discontinued operations, are presented net of the tax effect as a single amount under the heading “Profit (loss) after tax from discontinued operations” in the consolidated income statement (see Notes 1.3, 3 and 21). This heading includes the earnings from their sale or other disposal (net of tax effects).

2.2.5 Tangible Assets

Property, plant and equipment for own use

This heading includes the assets under ownership or acquired under lease terms (right to use), intended for future or current use by the BBVA Group and that it expects to hold for more than one year. It also includes tangible assets received by the consolidated entities in full or partial settlement of financial assets representing receivables from third parties which are expected to be held for continuing use.

For more information regarding the accounting treatment of right to use assets under lease terms, see Note 2.2.18 "Leases".

Property, plant and equipment for own use are presented in the consolidated balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net carrying amount of each item with its corresponding recoverable amount (see Note 17).

Depreciation is calculated using the straight-line method, during the useful life of the asset, on the basis of the acquisition cost of the assets less their residual value; the land is considered to have an indefinite life and is therefore not depreciated.

The tangible asset depreciation charges are recognized in the accompanying consolidated income statements under the heading "Depreciation and Amortization" (see Note 45) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

Depreciation rates for tangible assets

Type of assets	Annual Percentage
Buildings for own use	1% - 4%
Furniture	8% - 10%
Fixtures	6% - 12%
Office supplies and hardware	8% - 25%
Lease use rights	The lesser of the lease term or the useful life of the underlying asset

At each reporting date, the Group entities analyze whether there are internal or external indicators that a tangible asset may be impaired. When there is evidence of impairment, the Group analyzes whether this impairment actually exists by comparing the asset's net carrying amount with its recoverable amount (defined as the higher between its recoverable amount less disposal costs and its value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is written down to the recoverable amount and depreciation charges going forward are adjusted to reflect the asset's remaining useful life.

Similarly, if there is any indication that the value of a previously impaired tangible asset is now recoverable, the consolidated entities will estimate the recoverable amounts of the asset and recognize it in the consolidated income statement, recording the reversal of the impairment loss recognized in previous years and thus adjusting future depreciation charges. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

In the BBVA Group, most of the buildings held for own use are assigned to the different Cash Generating Units (CGU) to which they belong. The corresponding impairment analyses are performed for these CGU to check whether sufficient cash flows are generated to support the value of the assets comprised within.

Operating and maintenance expense relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the consolidated income statements under the heading "Administration costs - Other administrative expense - Property, fixtures and materials" (see Note 44.2).

Other assets leased out under an operating lease

The criteria used to recognize the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to recognize the impairment losses on them, are the same as those described in relation to tangible assets for own use.

Investment properties

The heading "Tangible assets - Investment properties" in the consolidated balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) of the land, buildings and other structures that are held either to earn rental income or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 17).

The criteria used to recognize the acquisition cost of investment properties, calculate their depreciation and their respective estimated useful lives, and recognize the impairment losses on them, are the same as those described in relation to tangible assets held for own use.

2.2.6 Business combinations

A business combination is a transaction, or any other deal, by which the Group obtains control of one or more businesses. It is accounted for by applying the "acquisition method".

According to this method, the acquirer has to recognize the assets acquired and the liabilities and contingent liabilities assumed, including those that the acquired entity had not recognized in the accounts. The method involves the measurement of the consideration received for the business combination and its allocation to the assets, liabilities and contingent liabilities measured according to their fair value, at the purchase date, as well as the recognition of any non-controlling participation (minority interests) that may arise from the transaction.

In a business combination achieved in stages, 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 in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

In addition, the acquirer shall recognize an asset in the consolidated balance sheet under the heading "Intangible asset - Goodwill" if on the acquisition date there is a positive difference between:

- the sum of the consideration transferred, the amount of all the non-controlling interests and the fair value of stock previously held in the acquired business; and

- the net fair value of the assets acquired and liabilities assumed.

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

Non-controlling interests in the acquired entity may be measured in two ways: either at their fair value; or at the proportional percentage of net assets identified in the acquired entity. The method of valuing non-controlling interest may be elected in each business combination. BBVA Group has always elected the second method.

2.2.7 Intangible assets

Goodwill

Goodwill represents a portion of consideration transferred in advance by the acquiring entity for the future economic benefits from assets that cannot be individually identified and separately recognized. Goodwill is never amortized. It is subject periodically to an impairment analysis, and is written down if there has been impairment (see Note 18).

Goodwill is assigned to one or more CGU that expect to be the beneficiaries of the synergies derived from the business combinations. The CGU represent the Group’s smallest identifiable asset groups that generate cash flows for the Group and that are largely independent of the flows generated from the Group’s other assets or groups of assets. Each unit or units to which goodwill is allocated:

- Is the lowest level at which the entity manages goodwill internally.

- Is not larger than an operating segment.

The CGU to which goodwill has been allocated are tested for impairment (including the allocated goodwill in their carrying amount). This analysis is performed at least annually or more frequently if there is any indication of impairment.

For the purpose of determining the impairment of a CGU to which a part of goodwill has been allocated, the carrying amount of that CGU, adjusted by the theoretical amount of the goodwill attributable to the non-controlling interests, in the event they are not valued at fair value, is compared with its recoverable amount.

The recoverable amount of a CGU is equal to the fair value less sale costs or its value in use, whichever is greater. Value in use is calculated as the discounted value of the cash flow projections that the unit’s management estimates and is based on the latest budgets approved for the coming years. The main assumptions used in its calculation are: a growth rate to extrapolate the cash flows indefinitely, and the discount rate used to discount the cash flows, which is equal to the cost of the capital assigned to each CGU, and equivalent to the sum of the risk-free rate plus a risk premium inherent to the CGU being evaluated for impairment.

If the carrying amount of the CGU exceeds the related recoverable amount, the Group recognizes an impairment loss; the resulting loss is apportioned by reducing, first, the carrying amount of the goodwill allocated to that unit and, second, if there are still impairment losses remaining to be recognized, the carrying amount of the remainder of the assets. This is done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. In the event the non-controlling interests are measured at fair value, the deterioration of goodwill attributable to non-controlling interests will be recognized. In any case, an impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Goodwill impairment losses are recognized under the heading "Impairment or reversal of impairment on non-financial assets – Intangible assets” (see Note 49).

Other intangible assets

These assets may have an indefinite useful life if, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated entities. In all other cases they have a finite useful life (see Note 18).

Intangible assets with a finite useful life are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The defined useful life intangible asset is made up mainly of IT applications acquisition costs which have a useful life of 3 to 5 years. The amortization charge of these assets is recognized in the accompanying consolidated income statements under the heading "Depreciation and amortization" (see Note 45).

The consolidated entities recognize any impairment losses on the carrying amount of these assets with a charge to the heading “Impairment or reversal of impairment on non-financial assets- Intangible assets” in the accompanying consolidated income statements (see Note 49). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

2.2.8 Insurance and reinsurance contracts

The assets and liabilities of the BBVA Group's insurance subsidiaries are recognized according to their nature under the corresponding headings of the consolidated balance sheet.

The heading "Insurance and reinsurance assets" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance subsidiaries are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the reinsurer´s share of the technical provisions recognized by the consolidated insurance subsidiaries.

The heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets includes the technical provisions for direct insurance and inward reinsurance recognized by the consolidated insurance subsidiaries to cover claims arising from insurance contracts open at period-end (see Note 23).

The income or expense reported by the BBVA Group's consolidated insurance subsidiaries on their insurance activities is recognized, in accordance with their nature, in the corresponding items of the consolidated income statements.

The consolidated insurance entities of the BBVA Group recognize the amounts of the premiums written and a charge for the estimated cost of the claims that will be incurred at their final settlement to their consolidated income statements. At the close of each year the amounts collected and unearned, as well as the costs incurred and unpaid, are accrued.

The most significant provisions recorded by consolidated insurance entities with respect to insurance policies issued by them are set out by their nature in Note 23.

According to the type of product, the provisions may be as follows:

- Life insurance provisions:

  Represents the value of the net obligations undertaken with the life insurance policyholder. These provisions include:

  a. Provisions for unearned premiums. These are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period from year-end to the end of the insurance policy period.

  b. Mathematical reserves: Represents the value of the life insurance obligations of the insurance entities at year-end, net of the policyholder's obligations, arising from life insurance contracted.

- Non-life insurance provisions:

  a. Provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period between the year-end and the end of the policy period.

  b. Provisions for unexpired risks: The provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the consolidated insurance subsidiaries in the policy period not elapsed at year-end.

- Provision for claims:

  This reflects the total amount of the outstanding obligations arising from claims incurred prior to year-end. Insurance subsidiaries calculate this provision as the difference between the total estimated or certain cost of the claims not yet reported, settled or paid, and the total amounts already paid in relation to these claims.

- Provision for bonuses and rebates:

  This provision includes the amount of the bonuses accruing to policyholders, insurees or beneficiaries and the premiums to be returned to policyholders or insurees, as the case may be, based on the behavior of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

- Technical provisions for reinsurance ceded:

  Calculated by applying the criteria indicated above for direct insurance, taking account of the assignment conditions established in the open reinsurance contracts.

- Other technical provisions:

  Insurance entities have recognized provisions to cover the probable mismatches in the market reinvestment interest rates with respect to those used in the valuation of the technical provisions.

2.2.9 Tax assets and liabilities

Expenses on corporate income tax applicable to the BBVA Group's Spanish entities and on similar income taxes applicable to consolidated foreign entities are recognized in the consolidated income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

The total corporate income tax expense is calculated by aggregating the current tax arising from the application of the corresponding tax rate as per the tax base for the year (after deducting the tax credits or discounts allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences, defined as the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and tax loss and tax credit or discount carry forwards. These amounts are calculated by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 19).

The "Tax Assets" line item in the accompanying 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 accompanying consolidated balance sheets includes the amount of all the liabilities of a tax nature, except for provisions for taxes, broken down into: "Current" (income tax payable on taxable profit for the year and other taxes payable in the next twelve months) and "Deferred" (the amount of corporate tax payable in subsequent years).

Deferred tax liabilities attributable to taxable temporary differences associated with investments in subsidiaries, associates or joint venture entities are recognized as such, except where the Group can control the timing of the reversal of the temporary difference and it is unlikely that it will reverse in the future. Deferred tax assets are recognized to the extent that it is probable that the consolidated entities will generate enough taxable profits to make deferred tax assets effective and do not correspond to those from initial recognition (except in the case of business combinations), which also does not affect the fiscal outcome.

The deferred tax assets and liabilities recognized are reassessed by the consolidated entities at each balance sheet date in order to ascertain whether they still qualify as deferred tax assets and liabilities, and the appropriate adjustments are made on the basis of the findings of the analyses performed. In those circumstances in which it is unclear how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authority in future, the entity recognizes current and deferred tax liabilities and assets considering whether it is probable or not that a taxation authority will accept an uncertain tax treatment. Thus, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity uses the amount expected to be paid to (recovered from) the taxation authorities.

The income and expense directly recognized in consolidated equity that do not increase or decrease taxable income are accounted for as temporary differences.

2.2.10 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the consolidated balance sheets includes amounts recognized to cover the BBVA Group's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations is deemed likely to entail an outflow of resources embodying economic benefits (see Note 24). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Group entities relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Group will certainly be subject. The provisions are recognized in the consolidated balance sheets when each and every one of the following requirements is met:

- They represent a current obligation that has arisen from a past event. At the date of the Consolidated Financial Statements, there is more probability that the obligation will have to be met than that it will not.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- The amount of the obligation can be reasonably estimated.

Among other items, these provisions include the commitments made to employees by some of the Group entities mentioned in Note 2.2.11, as well as provisions for tax and legal litigation.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Contingent assets are not recognized in the consolidated balance sheet or in the consolidated income statement; however, they will be disclosed, should they exist, in the Notes to the Consolidated Financial Statements, provided that it is probable they will give rise to an increase in resources embodying economic benefits (see Note 34).

Contingent liabilities are possible obligations of the Group that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Group. They also include the existing obligations of the Group when it is not probable that an outflow of resources embodying economic benefits will be required to settle them; or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the consolidated balance sheet or the income statement (excluding contingent liabilities from business combinations) but are disclosed in the Notes to the Consolidated Financial Statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.2.11 Pensions and other post-employment commitments

Below we provide a description of the most significant accounting policies relating to post-employment and other employee benefit commitments assumed by BBVA Group entities (see Note 25).

Short-term employee benefits

Benefits for current active employees which are accrued and settled during the year and for which a provision is not required in the entity´s accounts. These include wages and salaries, social security charges and other personnel expense.

Costs are charged and recognized under the heading "Administration costs – Personnel expense – Other personnel expense" of the consolidated income statement (see Note 44.1).

Post-employment benefits – Defined-contribution plans

The Group sponsors defined-contribution plans for the majority of its active employees. The amount of these benefits is established as a percentage of remuneration and/or as a fixed amount.

The contributions made to these plans in each year by BBVA Group entities are charged and recognized under the heading "Administration costs – Personnel expense– Defined-contribution plan expense" of the consolidated income statement (see Note 44.1).

Post-employment benefits – Defined-benefit plans

Some Group entities maintain pension commitments with employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. These commitments are covered by insurance contracts, pension funds and internal provisions.

In addition, some of the Spanish entities have offered certain employees the option to retire before their normal retirement age, recognizing the necessary provisions to cover the costs of the associated benefit commitments, which include both the liability for the benefit payments due as well as the contributions payable to external pension funds during the early retirement period.

Furthermore, certain Group entities provide welfare and medical benefits which extend beyond the date of retirement of the employees entitled to the benefits.

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading "Provisions – Provisions for pensions and similar obligations" in the consolidated balance sheet and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the Consolidated Financial Statements (see Note 25).

Current service cost is charged and recognized under the heading "Administration costs – Personnel expense – Defined-benefit plan expense" of the consolidated income statement (see Note 44.1).

Interest credits/charges relating to these commitments are charged and recognized in net terms under the headings "Interest and other income" or, where appropriated, "Interest expense" of the consolidated income statement (see Note 37).

Past service costs arising from benefit plan changes as well as early retirements granted during the year are recognized under the heading "Provisions or reversals of provisions" of the consolidated income statement (see Note 46).

Other long-term employee benefits

In addition to the above commitments, certain Group entities provide long-term service awards to their employees, consisting 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.

These commitments are quantified based on actuarial valuations and the amounts recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet (see Note 24).

Valuation of commitments: actuarial assumptions and recognition of gains/losses

The present value of these commitments is determined based on individual member data. Active employee costs are determined using the "projected unit credit" method, which treats each period of service as giving rise to an additional unit of benefit and values each unit separately.

In establishing the actuarial assumptions we take into account that:

- They should be unbiased, i.e. neither unduly optimistic nor excessively conservative.

- Each assumption does not contradict the others and adequately reflects the existing relationship between economic variables such as price inflation, expected wage increases, discount rates and the expected return on plan assets, etc. Future wage and benefit levels should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.

- The interest rate used to discount benefit commitments is determined by reference to market yields, at the balance sheet date, on high quality bonds.

The BBVA Group recognizes actuarial gains (losses) relating to early retirement benefits, long service awards and other similar items under the heading "Provisions or reversal of provisions" of the consolidated income statement for the period in which they arise (see Note 46). Actuarial gains (losses) relating to pension and medical benefits are directly charged and recognized under the heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Actuarial gains (losses) on defined benefit pension plans" of equity in the consolidated balance sheet (see Note 30).

2.2.12 Equity-settled share-based payment transactions

Equity –settled share-based payment transactions, provided they constitute the delivery of such equity instruments once completion of a specific period of services has occurred, are recognized as an expense for services being provided by employees, with a corresponding entry under the heading "Shareholders' funds – Other equity instruments" in the consolidated balance sheet. These services are measured at fair value for the employees services received, unless such fair value cannot be calculated reliably. In such case, they are measured by reference to the fair value of the equity instruments granted, taking into account the date on which the commitments were granted and the terms and other conditions included in the commitments.

When the initial compensation agreement includes what may be considered market conditions among its terms, any changes in these conditions will not be reflected in the consolidated income statement, as these have already been accounted for in calculating the initial fair value of the equity instruments. Non-market vesting conditions are not taken into account when estimating the initial fair value of equity instruments, but they are taken into account when determining the number of equity instruments to be issued. This will be recognized on the consolidated income statement with the corresponding increase in total consolidated equity.

2.2.13 Termination benefits

Termination benefits are recognized in the financial statements when the BBVA Group agrees to terminate employment contracts with its employees or from the time the costs for a restructuring that involves the payment of compensation for the termination of contracts with its employees are recorded. This happens when there is a formal and detailed plan in which the fundamental modifications to be made are identified, and whenever said plan has begun to be executed or its main characteristics or objective facts about its execution have been publicly announced.

2.2.14 Treasury shares

The value of common stock issued by the BBVA Group's entities and held by them - basically, shares and derivatives on the Bank's shares held by some consolidated entities that comply with the requirements to be recognized as equity instruments - are recognized as a decrease to net equity, under the heading "Shareholders' funds - Treasury stock" in the consolidated balance sheets (see Note 29).

These financial assets are recognized at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading "Shareholders' funds - Retained earnings" in the consolidated balance sheets (see Note 28).

In the event of a contractual obligation to acquire treasury shares, a financial liability is recorded as the present value of the amount committed (under the heading "Financial liabilities at amortized cost - Other financial liabilities") and the corresponding recognition in net equity (under the heading "Equity - Other Reserves) (see Notes 22.5 and 28).

2.2.15 Foreign-currency transactions and exchange differences

The currency in which the Financial Statements of the BBVA Group are presented is the euro. As such, all balances and transactions denominated in currencies other than the euro are deemed to be expressed in "foreign currency".

Conversion to euros of the balances held in foreign currency is performed in two consecutive stages:

– Conversion of the foreign currency to the entity's functional currency (currency of the main economic environment in which the entity operates); and

– Conversion to euros of the balances held in the functional currencies of the entities whose functional currency is not the euro.

Conversion of the foreign currency to the entity's functional currency

Transactions denominated in foreign currencies carried out by the consolidated entities (or entities accounted for using the equity method) are initially accounted for in their respective currencies. Subsequently, the monetary balances in foreign currencies are converted to their respective functional currencies using the exchange rate at the close of the financial year. In addition,

– Non-monetary items valued at their historical cost are converted to the functional currency at the exchange rate applicable on the purchase date.

– Non-monetary items valued at their fair value are converted at the exchange rate in force on the date on which such fair value was determined.

– Monetary items are converted to the functional currency at the closing exchange rate.

– Income and expense are converted at the period's average exchange rates for all the operations carried out during the year. 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 information in hyperinflationary economies" (see Note 2.2.19). Both these adjustments for inflation and the exchange differences that arise when converting the financial statements of companies into hyperinflationary economies are accounted for in "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss - Foreign currency translation".

The breakdown of the main consolidated balances in foreign currencies, with reference to the most significant foreign currencies, is set forth in Appendix VII.

Venezuela

Local financial statements of the Group subsidiaries in Venezuela are expressed in Venezuelan Bolivar, and converted into euros for the consolidated financial statements. Venezuela is a country with strong exchange restrictions that has different rates officially published, and, since December 31, 2015, the Board of Directors considers that the use of these exchanges rates for converting bolivars into euros in preparing the Consolidated Financial Statements does not reflect the true picture of the financial statements of the Group and the financial position of the Group subsidiaries in this country. Therefore, since the year ended December 31, 2015, the exchange rate for converting bolivars into euros is an estimation taking into account the evolution of the estimated inflation in Venezuela.

As of December 31, 2021, 2020 and 2019, the impact on the consolidated financial statements that would have resulted by applying the last published official exchange rate instead of the exchange rate estimated by BBVA Group was not significant (see Note 2.2.19).

2.2.16 Recognition of income and expense

The most significant policies used by the BBVA Group to recognize its income and expense are as follows.

- Interest income and expense and similar items:

  As a general rule, interest income and expense and similar items are recognized on the basis of their period of accrual using the effective interest rate method.

  They shall be recognized within the consolidated income statement according to the following criteria, independently from the financial instruments' portfolio which generates the income or expense:

  a. The interest income past-due before the initial recognition and pending to be received will form part of the gross carrying amount of the debt instrument.

  b. The interest income accrued after the initial recognition will form part of the gross carrying amount of the debt instrument until it will be received.

  The financial fees and commissions that arise on the arrangement of loans and advances (basically origination and analysis fees) are deferred and recognized in the income statement over the expected life of the loan. From that amount, the transaction costs identified as directly attributable to the arrangement of the loans and advances are deducted. These fees are part of the effective interest rate for the loans and advances.

  Once a debt instrument has been impaired, interest income is recognized applying the effective interest rate used to discount the estimated recoverable cash flows on the carrying amount of the asset.

- Income from dividends received:

  Dividends shall be recognized within the consolidated income statement according to the following criteria, independently from the financial instruments' portfolio which generates this income:

  a. When the right to receive payment has been declared before the initial recognition and when the payment is pending to be received, the dividends will not form part of the gross carrying amount of the equity instrument and will not be recognized as income. Those dividends are accounted for as financial assets separately from the net equity instrument.

  b. If the right to receive payment is received after the initial recognition, the dividends from the net equity instruments will be recognized within the consolidated income statement. If the dividends correspond to the profits of the issuer before the date of initial recognition, they will not be recognized as income but as reduction of the gross carrying amount of the equity instrument because it represents a partial recuperation of the investment. Amongst other circumstances, the generation date can be considered to be prior to the date of initial recognition if the amounts distributed by the issuer as from the initial recognition are higher than its profits during the same period.

- Commissions, fees and similar items:

  Income and expense relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to the nature of such items. The most significant items in this connection are:

  a. Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected/paid.

  b. Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.

  c. Those relating to a singular transaction, which are recognized when this singular transaction is carried out.

- Non-financial income and expense:

  These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments:

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.2.17 Sales of assets and income from the provision of non-financial services

The heading "Other operating income" in the consolidated income statements includes the proceeds of the sales of assets and income from the services provided by the Group entities that are not financial institutions. In the case of the Group, these entities are mainly real estate and service entities (see Note 42).

2.2.18 Leases

The lessee accounting model requires the lessee to record assets and liabilities for all lease contracts. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings ''Tangible assets – Property plants and equipment'' and ''Tangible assets – Investment properties'' of the consolidated balance sheet (see Note 17) and a lease liability representing its obligation to make lease payments which is recorded under the heading '' Financial liabilities at amortized cost – Other financial liabilities'' in the consolidated balance sheet (see Note 22.5). The standard provides two exceptions for the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA elected to apply both exceptions.

At the initial date of the lease, the lease liability represents the present value of all lease unpaid payments. The liabilities registered under this heading of the consolidated balance sheets are measured after their initial recognition at amortized cost, this being determined in accordance with the "effective interest rate" method.

The right to use assets are initially recorded at cost. This cost includes the initial measurement of the lease liability, any payment made on or before the initial date less any lease incentives received, all direct initial expenses incurred, as well as an estimate of the expenses to be incurred by the lessee for dismantling or rehabilitation, such as expenses related to the removal and dismantling of the underlying asset. The right to use assets recorded under this heading of the consolidated balance sheets are measured after their initial recognition at cost less:

- The accumulated depreciation and accumulated impairment.
- Any remeasurement of the lease liability.

The interest expense on the lease liability is recorded in the consolidated income statements under the heading "Interest expense" (see note 37.2). Variable payments not included in the initial measurement of the lease liability are recorded under the heading "Administration costs – Other administrative expense" (see Note 44.2).

Amortization is calculated using the straight-line method over the lifetime of the lease contract, on the basis of the cost of the assets. The tangible asset depreciation charges are recognized in the accompanying consolidated income statements under the heading "Depreciation and Amortization" (see Note 45).

When electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the consolidated balance sheets, payments related to the corresponding lease are recognized in the consolidated income statements, over the contract period, lineally, or in the way that best represents the structure of the lease operation, under the heading "Other operating expense" (see Note 42).

Operating lease and sublease incomes are recognized in the consolidated income statements under the headings "Other operating income" (see Note 42).

As a lessor, lease contracts are classified as finance leases from the inception of the transaction if they substantially transfer all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. Leases other than finance leases are classified as operating leases.

When the consolidated entities act as the lessor of an asset under finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and advances" in the accompanying consolidated balance sheets (see Note 14).

When the consolidated entities act as lessors of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" in the consolidated balance sheets (see Note 17). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the consolidated income statements on a straight-line basis within "Other operating income" and "Other operating expense" (see Note 42).

If a fair value sale and leaseback results in a lease, the profit or loss generated from the effectively transferred part of the sale is recognized in the consolidated income statement at the time of sale (only for the effectively transmitted part).

The assets leased out under operating lease contracts to other entities in the Group are treated in the Consolidated Financial Statements as for own use, and thus rental expense and income is eliminated in consolidation and the corresponding depreciation is recognized.

2.2.19 Entities and branches located in countries with hyperinflationary economies

In accordance with the criteria established in IAS 29 "Financial Reporting in Hyperinflationary Economies", to determine whether an economy has a high inflation rate the country's economic situation is examined, analyzing whether certain circumstances are fulfilled, such as whether the population prefers to keep its wealth or savings in non-monetary assets or in a relatively stable foreign currency, whether prices can be set in that currency, whether interest rates, wages and prices are pegged to a price index or whether the accumulated inflation rate over three years reaches 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.

Argentina

Since 2018, the economy of Argentina has been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in Argentina have therefore been adjusted to correct for the effects of inflation.

During 2021, 2020 and 2019, the increase in equity of Group entities located in Argentina derived from the re-expression for hyperinflation (IAS 29) amounts to €481, €343 and €470 million, respectively, of which €319, €228 and €313 million, respectively, have been recorded within "Equity – Accumulated other comprehensive income (loss)" and €161, €115 and €157 million, respectively, within "Minority interests – Accumulated other comprehensive income (loss)". Furthermore, during 2021, 2020 and 2019 the decrease in the reserves of Group entities located in Argentina derived from the conversion to the euro (IAS 21) amounted to €143, €482 and €460 million, respectively, of which €94, €320 and €305 million, respectively, have been recorded within "Equity – Accumulated other comprehensive income (loss)", and €49, €162 and €155 million, respectively, within "Minority interests – Accumulated other comprehensive income (loss)". The net impact of both effects is presented under the caption "Other increases or (-) decreases in equity" in the consolidated statement of changes in equity for the years ended December 31, 2021, 2020 and 2019. The net loss in the profit attributable to the parent company of the Group in 2021, 2020 and 2019 derived from the application of IAS 29 amounted to €255, €148 and €190 million, respectively. In addition, there is a net loss in the profit attributable to the parent company of the Group in 2021, 2020 and 2019 derived from the application of IAS 21 which amounted to €3, €26 and €34 million, respectively.

During 2021, 2020 and 2019 the General Price Index ("GPI") used was 582, 387 and 285 respectively. Likewise, the inflation index at the end of 2021, 2020 and 2019 was 50.7%, 36.5% and 55% respectively.

Venezuela

Since 2009, the economy of Venezuela has been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in Venezuela have therefore been adjusted to correct for the effects of inflation.

The losses recognized under the heading "Profit attributable to the parent company" in the accompanying consolidated income statement as a result of the adjustment for inflation on net monetary position of the Group entities in Venezuela amounted to €6, €5 and €8 million in 2021, 2020 and 2019, respectively (see Note 2.2.15).

2.3 Recent IFRS pronouncements

Standards and interpretations that became effective in 2021

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC" or "interpretation") became effective in 2021.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Modifications - IBOR reform

On August 27, 2020, the IASB issued the second phase of the reform of the IBOR reference indices, which involves the introduction of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements reflect the economic effects of this reform in the best possible way. These amendments focus on the accounting for financial instruments, once a new risk-free reference index (Risk Free Rate, hereinafter "RFR") has been introduced.

The modifications introduce the accounting relief for changes in the cash flows of financial instruments directly caused by the IBOR reform if they take place in a context of "economic equivalence", by updating the effective interest rate of the instrument. Additionally, they introduce a series of exemptions to the hedging requirements so as not to have to interrupt certain hedging relationships. However, similar to the phase 1 amendments (which entered into force already in 2020) (see Note 15), the phase 2 amendments do not contemplate exceptions to the valuation requirements applicable to hedged items and hedging instruments in accordance with IFRS 9 or IAS 39. Thus, once the new reference index has been implemented, the hedged items and hedging instruments must be valued in accordance with the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in profit or loss.

The IBOR transition to RFR is considered to be a complex initiative, which affects BBVA Group in different geographical areas and business lines, as well as in a multitude of products, systems and processes. The main risks to which the Group is exposed due to the transition are; (1) risk of litigation related to the products and services offered by the Group; (2) legal risks derived from changes in the documentation required for existing operations; (3) financial and accounting risks, derived from market risk models and from the measurement, hedging, cancellation and recognition of the financial instruments associated with the benchmark indices; (4) price risk, derived from how changes in the indices could impact the pricing mechanisms of certain instruments; (5) operational risks, as the reform may require changes to the Group's IT systems, business reporting infrastructure, operational processes and controls, and (6) behavioral risks derived from the potential impact of customer communications during the transition period, which could lead to customer complaints, regulatory penalties or reputational impact.

BBVA Group established a transition program, provided with a robust governance structure by means of an Executive Steering Committee, with representation from senior management of the affected areas, which reports directly to the Group's Global Leadership Team. At the local level, each geography has defined its own governance structure with the participation of senior management. The coordination between geographies is realized through the Project Management Office (PMO) and the Global Working Groups that incorporate a multi-geographic and transversal view on the areas of Legal, Risk, Regulatory, Finance and Accounting and Engineering. The project also involves both Corporate Assurance of the different geographies and business lines and Global Corporate Assurance of the Group.

This transition project has taken into account the different approaches and periods of transition to the new RFRs when evaluating the various risks associated with the transition, as well as defining the lines of action in order to mitigate them. BBVA is aligned with the Good Practices issued by the ECB that outline how banks can better structure their governance, identify related risks and create contingent action plans and documentation in relation to the transition of reference rates.

During 2021, the BBVA Group has worked to modify all its contracts referenced to EONIA and LIBOR EUR, CHF, GBP, JPY and USD (one-week and two-month maturity) to the corresponding RFRs. As of December 31, 2021, the Group continues to hold financial assets and liabilities whose contracts are referenced to IBOR rates, mainly EURIBOR and LIBOR USD, as they are used, among others, for loans, deposits and debt issues as well as underlying derivative financial instruments.

In the case of EONIA, during 2021 the BBVA Group carried out a novation of most of the contracts expiring after the end of 2021, migrated the balances against clearing houses and renegotiated collateral contracts, replacing that index with the € STR.

In the case of the EURIBOR, the European authorities have encouraged modifications in its methodology so that it meets the requirements of the European Regulation of Reference Indices, so this index does not disappear.

The official discontinuation date for LIBORs exUSD (GBP, CHF, EUR, JPY), USD LIBOR 1-week and 2-month indices was December 31, 2021, and for EONIA was January 3, 2022. However, the Financial Conduct Authority (FCA) and the European Commission have established a legal safeguard in the event that there are some operations that could not be migrated before said discontinuation date. In the case of the FCA, said legal safeguard, called Synthetic LIBOR, would apply only to contracts referenced to LIBOR GBP and LIBOR JPY in terms of 1, 3 and 6 months, and allows the index to continue to be applied for an additional period. Moreover, the European Commission, through what is known as the Statutory Fallback, provides a legal safeguard for EONIA contracts and for LIBOR CHF (into force on January 1, 2022), so that in the contracts subject to this measure, said indices are automatically replaced and by legal requirement, by the substitute indices identified in the standard.

The entity has actively collaborated in the IBOR transition, both for its support and participation in the sectorial working groups and for its commitment to remediate the contracts with its counterparties. In this sense, the entity has carried out a process of communication and contact with the counterparties to modify the terms of the contractual relations in such a way that said agreements have been modified using different mechanisms: through the inclusion of addenda to the contracts, by the adherence to industry standard protocols, the transition of operations by clearing house, the cancellation of contracts and subscription of new ones, or by the transition through other legislative mechanisms.

This process has been managed through the monitoring mechanisms and indicators that have been developed by the working groups within the Group. The process will remain active for the management of the transition of the USD (for the rest of the affected terms in June 2023), the transition of other currencies and those contracts that, to a lesser extent, have been referenced to the proposed synthetic solution by the FCA, as this is a temporary measure. Likewise, work continues to adapt all systems and processes in the treatment of alternative RFR indices, such as SOFR and SONIA.

Below is the BBVA Group's exposure to financial assets and liabilities maturing after the transition dates of these IBORs to their corresponding RFRs. At the end of the year, thanks to efforts in remediation of contracts, the BBVA Group has robust transition fallbacks or a synthetic or statutory solution for all operations with EONIA and LIBOR EUR, CHF, GBP, JPY and USD (for terms of one week and two months) pending transition as of December 31, 2021. The table shows the gross amounts in the case of loans and advances to customers, asset and liability debt instruments, and deposits and, in the case of derivatives, their notional value is shown:

Millions of Euros	Loans & Advances	Debt Securities Assets	Debt Securities Issued (Liabilities)	Deposits	Derivatives (notional)
EONIA with maturity > December 31, 2021	59	—	—	371	7,079
LIBOR ex USD & LIBOR USD 1W/2M with maturity > December 31, 2021	1,568	—	243	846	27,343
LIBOR USD with maturity > June 30, 2023	21,256	158	1,974	2,015	474,701
Total	**22,883**	**158**	**2,217**	**3,232**	**509,122**

It should be noted that all of these exposures (with the exception of USD LIBOR for terms other than one week and two months) change their references effectively, and with the mechanisms described above, since January 1, 2022, depending on the next interest rate fixes.

83.76% of the amount of derivatives referenced to LIBOR EUR, CHF, GBP, JPY and USD (for terms of one week and two months) corresponds to operations through a clearing house.

Amendments to IFRS 4 – Insurance Contracts

The amendment to IFRS 4 includes a deferral in the temporary exception option regarding the application of IFRS 9 for entities whose business model is predominantly an insurance model until January 1, 2023, aligning it with the entry into force of the IFRS 17 Insurance Contracts rule. This modification is applicable from January 1, 2021, although it will not have an impact on the Group since the Group will not take such option.

Modification of IFRS 16 – Leases: practical exemption for lessees due to the COVID-19 pandemic.

The IASB has extended the term to qualify for the exemption that allows tenants not to register concessions in rents as a modification of the lease if they are a direct consequence of COVID-19. This exemption has not had an impact on the Group since the Bank has not received concessions on its rents as a result of COVID-19.

The application of the exemption will remain optional and applies to rent concessions made until June 30, 2022.

Standards and interpretations issued but not yet effective as of December 31, 2021

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not mandatory as of December 31, 2021. Although in some cases the IASB allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued the new accounting standard for insurance contracts, which was later amended in June 2020, with the aim of helping entities in the implementation of the standard and to facilitate the understanding of the financial statements, although the amendment maintained the fundamental principles of the original standard. An entity shall apply IFRS 17 for annual reporting periods beginning on or after January 1, 2023 (with at least one year of comparative information). The standard has already been adopted by the European Union.

IFRS 17 establishes the accounting principles for insurance contracts. This new standard supersedes IFRS 4, by introducing substantial changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability among entities.

Unlike IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for the purposes of their recognition and measurement, determining the units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), annual cohorts and their possibility of becoming onerous.

Regarding the measurement model, the new standard contemplates several methods, being the General Model (Building Block Approach) the method that will be applied by default for the valuation of insurance contracts, unless the conditions are given to apply any of the two other methods: the Variable Fee Approach, and the Simplified Model (Premium Allocation Approach).

With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model that will use updated assumptions at each balance sheet date.

The General Model requires entities to value insurance contracts for the total of:

- fulfillment cash flows, which comprise the estimation of future cash flows discounted to reflect the time value of money, the financial risk associated with future cash flows, and a risk adjustment for non-financial risk;

– and the contractual service margin, which represents the expected unearned benefit from the insurance contracts, which will be recognized in the entity’s income statement as the service is provided in the future, instead of being recognized at the time of the estimation.

The amounts recognized in the income statement shall be classified into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period the entity provides insurance coverage.

Since 2019, the Group has been developing a project to implement IFRS 17 in order to harmonize the criteria in the Group and with the participation of all involved areas and countries. A sound governance has been established in this project, through a Steering Committee with representation from the senior management of the affected areas, which periodically reviews its progress. At the local level, each geography has defined a local governance structure with the participation of senior management.

The Group continues with the planned roadmap for the implementation of the standard, progressing during the years 2019, 2020 and 2021 with the definition of criteria, the actuarial modelling of cash flows and components required by the standard, the data supply, the systems technological adaptation, the preparation of accounting information, the governance of the reporting process to the Group and the development of the transition.

In 2022, the assessment of the transition impact on the Group's financial statements will be completed, and the Group will carry out parallel accounting under both existing standards and IFRS 17. Initially, the Group considers that, if applicable, the quantitative impact of the transition would come from long-term products, mainly motivated by the identification of products that are classified as "onerous". Additionally, differences could arise in other comprehensive income caused by the method of calculation of insurance liabilities provided in IFRS 17, which is based on the difference in valuation of insurance liabilities between the discount rates at inception (locked-in) and the closing rates.

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

In February 2021 the IASB issued amendments to this IAS with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the financial statements.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies and include guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to IAS 8 also clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023. No significant impact is expected on BBVA's consolidated financial statements.

Amendment IAS 12 – Income taxes

The IASB has issued an amendment to IAS 12 that clarifies how companies recognize deferred tax on transactions such as leases and decommissioning obligations.

The amendments conclude that entities should recognize deferred taxes on leases and dismantling provisions following the criteria established in IAS 12. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. No significant impact is expected on the BBVA Group´s consolidated financial statements.

Minor changes to IFRS Standards (IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions) and Annual Improvements to IFRS 2018-2020 (IFRS 1 - First application of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and modifications to the illustrative examples of IFRS 16 - Leases)

The IASB has issued minor amendments and improvements to various IFRSs to clarify the wording or correct minor consequences, oversights or conflicts between the requirements of the Standards. The modified standards are: IFRS 3 Business Combination, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, IAS 1 First application of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and IFRS 16 Leases (modifications to the illustrative examples)

The amendments will be effective for annual reporting periods beginning on or after January 1, 2022. No significant impact is expected on the BBVA Group's consolidated financial statements.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking and asset management. The Group also operates in the insurance sector.

The following information is detailed in the appendices of these consolidated financial statements of the Group for the year ended December 31, 2021:

- 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, 2021, 2020 and 2019, broken down by the Group's entities according to their activity:

Contribution to Consolidated Group total assets. Entities by main activities (Millions of euros)

	2021	2020	2019
Banking and other financial services	631,683	703,304	664,100
Insurance and pension fund managing companies	29,657	28,667	29,300
Other non-financial services	1,545	1,826	2,071
Total	**662,885**	**733,797**	**695,471**

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, South America and Turkey, 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 banking sector and insurance sector.
- Mexico. The BBVA Group operates in Mexico, not only in the banking sector, but also in the insurance sector through BBVA Mexico.
- 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 and Chile. It has a representative office in Sao Paulo (Brazil). The Group owns more than 50% of most of the entities based in these countries. Appendix I shows a list of the entities which, although less than 50% owned by the BBVA Group as of December 31, 2021, are consolidated (see Note 2.1).
- Turkey. The Group's activity in Turkey is mainly carried out through the Garanti BBVA Group.
- Rest of Europe. Group's activity in Europe (excluding Spain) is carried out by banking and financial institutions, mainly in Switzerland, Italy, Germany, the Netherlands and Romania and the Bank's branches in Germany, Belgium, France, Italy, Portugal and the United Kingdom.
- 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 Branch of BBVA Mexico in Houston, participations in technology companies through funds and investment vehicles, including the venture capital fund Propel Venture Partners, the broker-dealer business BBVA Securities Inc., and a representative office in Silicon Valley (California).
- Asia. The Group's activity in Asia is conducted through the Bank's branches (Taipei, Tokyo, Hong Kong, Singapore and Shanghai) and representative offices (Beijing, Seoul, Mumbai, Abu Dhabi and Jakarta).

Significant transactions in the Group in 2021

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

On November 15, 2021, BBVA announced a voluntary takeover bid addressed to the holders of the 2,106,300,000 shares[1] not controlled by BBVA, representing 50.15% of Garanti's total share capital. BBVA submitted for authorization an application of the voluntary takeover bid to the Capital Markets Board of Turkey (CMB) on November 18, 2021.

[1] All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit at Borsa Istanbul.

The consideration offered by BBVA to Garanti shareholders is 12.20 Turkish Liras in cash for each share. The maximum amount payable by BBVA will be 25,697 million Turkish Liras (equivalent to approximately €1,690 million at an exchange rate of 15.23 Turkish Liras per Euro estimated as of December 31, 2021) assuming all of Garanti's shareholders sell their shares. BBVA will pay the consideration with its current shareholder's funds. BBVA reserves the right to reduce or otherwise modify the voluntary takeover bid price by an amount equal to the gross amount of the distribution per share, if Garanti declares or distributes dividends, reserves or any other kind of distribution to its shareholders at any time from the date of the announcement on November 15, 2021 until the day of completion of the voluntary takeover bid. BBVA may cancel the takeover bid at any time before the commencement of the acceptance period.

The acquisition by BBVA of more than 50% of Garanti's total share capital is subject to the prior approval of several authorities, both in Turkey and in other jurisdictions. BBVA will disclose to the market when all relevant authorizations are obtained. BBVA has received confirmation from the CMB that it will not formally approve the voluntary takeover bid application until the CMB receives confirmation from BBVA that all relevant approvals required by BBVA have been duly obtained. Only after approval by the CMB of the voluntary takeover bid application will the voluntary takeover bid period begin.

The estimated impact will depend on the percentage of shares that are tendered. As of December 31, 2021, BBVA estimated maximum impact of minus 32 basis points in the Common Equity Tier 1 fully loaded ratio and approximately 2% accretion to its book value per share[2], (all the above assuming that all Garanti shareholders accept the offer).

Divestitures

Sale of BBVA's U.S. subsidiary 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 amounted to approximately 11,500 million USD (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 since the announcement of the transaction and the closing of its sale has 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. As a result thereof, the BBVA Group has been reflecting the results that BBVA USA Bancshares, Inc. has been generating, as well as the positive impact, mainly, of these results on the Common Equity Tier 1 ("fully loaded") ratio of BBVA Group. The calculation of the impact on Common Equity Tier 1 has been 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 an institutional and wholesale business in the United States that it currently carries out through its broker-dealer BBVA Securities Inc. and the New York branch. BBVA also maintains its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P.

Note 21 shows a breakdown of the financial information of the companies sold in the United States as of December 31, 2021, 2020 and 2019 and the results of those companies as of and for the first five months of 2021 and the years ended 2020 and 2019.

Sale of the BBVA Group's stake in Paraguay

On January 22, 2021, once the mandatory authorizations were obtained, BBVA completed the sale of its direct and indirect shareholding of 100% of the capital stock of Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay") to Banco GNB Paraguay S.A., a subsidiary of the Gilinski Group. This transaction was originally agreed in 2019. The total amount received by BBVA amounted to approximately USD 250 million (approximately €210 million). The transaction generated a capital loss net of taxes of approximately €9 million. This transaction had a positive impact on the Common Equity Tier 1 (fully loaded) of the BBVA Group of approximately 6 basis points, which is reflected in the capital base of the BBVA Group in the fiscal year 2021.

Significant transactions in the Group in 2020

Divestitures

Alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in order to develop the non-life insurance business in Spain, excluding the health insurance line of the business.

[2] The calculation of the impact on Common Equity Tier 1 and tangible book value per share was made taking into consideration the consolidated Group's financial statements as of December 31, 2021, and an exchange rate of 15.23 Turkish Lira per Euro. The impact on CET1 and the tangible book value per share may be different from the date of this disclosure up to the date of closing of the Voluntary Takeover Bid due to, among other circumstances, changes in the book value of Garanti and changes in the Turkish Lira/Euro exchange rate.

On December 14, 2020, once the required authorizations had been obtained, BBVA completed the operation and announced the transfer to Allianz, Compañía de Seguros y Reaseguros, S.A. of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A., for which it received €274 million, without taking into account a variable part of the price (up to €100 million depending on certain objectives and planned milestones). This operation resulted in a profit net of taxes of €304 million and a positive impact on the fully loaded CET1 of the BBVA Group of 7 basis points, recorded in the Consolidated Financial Statements for the year ended December 31, 2020.

4. Shareholder remuneration system

Cash Dividends in financial years 2019 and 2020

Throughout 2019 and 2020, BBVA's Board of Directors approved the payment of the following dividends (interim or final dividends) fully in cash, recorded in "Total Equity- Interim Dividends" and "Total Equity - Retained earnings" of the consolidated balance sheet of the relevant year:

– The Annual General Meeting of BBVA held on March 15, 2019, approved, under item 1 of the Agenda, the payment of a final dividend for 2018, in addition to other dividends previously paid, in cash for an amount equal to €0.16 (€0.1296 net of withholding tax) per BBVA share. The total amount paid to shareholders on April 10, 2019, after deducting treasury shares held by the Group's Companies, amounted to €1,064 million and is recognized under the heading "Total equity- Retained earnings" of the consolidated balance sheet as of December 31, 2019.

– The Board of Directors, at its meeting held on October 2, 2019, approved the payment in cash of €0.10 (€0.081 net of withholding tax) per BBVA share, as gross interim dividend based on 2019 results. The total amount paid to shareholders on October 15, 2019, after deducting treasury shares held by the Group's companies, amounted to €665 million and is recognized under the heading "Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2019.

– The Annual General Meeting of BBVA held on March 13, 2020, approved, under item 1 of the Agenda, the payment of a final dividend for 2019, in addition to other dividends previously paid, in cash for an amount equal to €0.16 (€0.1296 net of withholding tax) per BBVA share. The total amount paid to shareholders on April 9, 2020, after deducting treasury shares held by the Group's Companies, amounted to €1,065 million and is recognized under the heading "Total equity- Retained earnings" of the consolidated balance sheet as of December 31, 2020.

ECB recommendations for 2020

In accordance with recommendation ECB/2020/19 issued by the ECB on March 27, 2020 on dividend distributions during the COVID-19 pandemic, the Board of Directors of BBVA resolved to modify for the financial year corresponding to 2020 the dividend policy of the Group, announced on February 1, 2017, determining as new policy for 2020 not to pay any dividend amount corresponding to 2020 until the uncertainties caused by COVID-19 disappear and, in any case, not before the end of such fiscal year. On July 27, 2020, the ECB prolonged this recommendation until January 1, 2021 by adopting recommendation ECB/2020/35.

On December 15, 2020 the ECB issued recommendation ECB/2020/62, repealing recommendation ECB/2020/35 and recommending that significant credit institutions exercise extreme prudence when deciding on or paying out dividends or performing share buy-backs aimed at remunerating shareholders.

Shareholder remuneration during financial year 2021

BBVA notified on January 29, 2021, by means of Privileged Information, that it intended to resume its shareholder remuneration policy in 2021, announced on February 1, 2017, via Relevant Event, contingent upon the repealing of recommendation ECB/2020/62 and the absence of further restrictions or limitations.

The Annual General Meeting held on April 20, 2021 approved, in the third item of its agenda, a cash distribution from the issue premium account of €0.059 per share as shareholder remuneration in respect of the Group's 2020 earnings for each of the Bank's outstanding shares, all this in compliance with recommendation ECB/2020/62, which was paid on April 29, 2021. The total amount was €393 million and was recognized under the heading "Total Equity – Share Premium" of the consolidated balance sheet as of December 31, 2021 (see Note 27).

On July 23, 2021, the European Central Bank 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 their ordinary supervisory process, eliminating the remaining restrictions on dividend and share buyback related matters established in recommendation ECB/2020/62.

In keeping with the above, the Board of Directors, at its meeting held on September 30, 2021, approved the payment in cash of €0.08 (€0.0648 net of withholding tax) per BBVA share, as gross interim dividend against 2021 results. The total amount paid to shareholders on October 12, 2021, after deducting treasury shares held by the Group's companies, amounted to €532 million and is recognized under the heading "Shareholder's funds - Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2021.

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 on September 29, 2021 was the following:

Available amount for interim dividend payments (Millions of Euros)	August 31, 2021
Profit of BBVA, S.A., after the provision for income tax	934
Maximum amount distributable	**934**
Amount of proposed interim dividend	**533**
BBVA cash balance available to the date	**31,887**

Other shareholder remuneration

On February 3, 2022, it was announced that a cash distribution in the amount of €0.23 gross per share as shareholder remuneration in relation to the Group's result in the 2021 financial year was expected to be submitted to the relevant governing bodies of BBVA for consideration (see Note 56).

Share buyback program

On October 26, 2021, BBVA obtained the pertinent authorization from the European Central Bank to buy back up to 10% of its share capital for a maximum of €3.5 billion, in one or several tranches and over the course of a 12-month period (the "Authorization").

Upon receiving the authorization and making use of the delegation conferred by the BBVA Annual General Meeting held on March 16, 2018, at its meeting of October 28, 2021, BBVA Board of Directors resolved to carry out a framework share buyback program in compliance with Regulation (EU) no. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse and Delegate Regulation (EU) no. 2016/1052 of the Commission, of March 8, 2016, to be executed in various tranches up to a maximum of €3.5 billion, with the aim of reducing BBVA's share capital (the "Framework Program"), notwithstanding the possibility of terminating or cancelling the Framework Program 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 Framework Program (the "First Tranche"), which was notified as Privileged Information on October 29, 2021.

On November 19, BBVA notified by means of Privileged Information that the First Tranche would be executed externally through J.P. Morgan AG as manager, for a maximum amount of €1,500 million, for the purchase of a maximum number of shares of 637,770,016 representing, approximately, 9.6% of BBVA's share capital as of the date of the agreement, and that the first program would begin on November 22, 2021, and that it would conclude not earlier than November 22, 2021 or later than April 5, 2022, and, in any case, whenever, within said timeframe the maximum monetary amount is reached, or the maximum number of shares is purchased.

Between November 22 and December 31, 2021, J.P. Morgan AG, as manager of the First Tranche, acquired 112,254,236 BBVA shares (see Note 29). Between January 1 and February 3, 2022, J.P. Morgan AG has acquired 65,272,189 BBVA shares.

On February 3, 2022, BBVA announced that its Board of Directors agreed, within the Framework Program, to carry out a second buyback program (the "Second Tranche") aimed at reducing BBVA's share capital, for a maximum amount of €2,000 million 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. The implementation of the Second Tranche, which will also be executed externally through a lead-manager, will begin after the end of the implementation of the First Tranche and shall end no later than October 15, 2022 (see Note 56).

Amendment of Shareholder Remuneration Policy

On November 18, 2021, BBVA announced that the Board of Directors of BBVA agreed to modify the Group's shareholder distribution policy, which was communicated as relevant information on February 1, 2017, with registration number 247679 establishing a new policy consisting in an annual distribution of between 40% and 50% of the consolidated ordinary profit of each year (excluding extraordinary amounts and items included in the consolidated profit and loss account), compared to the previous policy of distributing between 35% and 40%.

This policy will 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 allocation of the year-end profit has been approved, expected to take place in April of each year), with the possibility of combining cash distributions with share buybacks (the execution of the share buyback program will be deemed an extraordinary shareholder remuneration and will, therefore, not be included within the scope of the policy), all subject to the relevant authorizations and approvals applicable at any given time.

Proposal on allocation of earnings for 2021

Below is included a breakdown of the distribution of the Bank´s earnings for financial year 2021, which the Board of Directors will submit to the Annual General Meeting for approval.

Allocation of earnings (Millions of Euros)	
	2021
Profit (loss) for year	**1,080**
Distribution	
Interim dividends	533
Reserves / Accumulated gains	547

5. Earnings per share

Basic and diluted earnings per share are calculated in accordance with the criteria established by IAS 33. For more information see Glossary.

The calculation of earnings per share is as follows:

Basic and Diluted Earnings per Share			
	2021	**2020**	**2019**
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	4,653	1,305	3,512
Adjustment: Additional Tier 1 securities (*)	(359)	(387)	(419)
Profit adjusted (millions of euros) (A)	**4,293**	**917**	**3,093**
Profit (loss) from continued operations (net of remuneration of Additional Tier 1 capital instruments)	4,014	2,646	3,851
Profit (loss) from discontinued operations (net of non-controlling interest) (B) (See Note 21)	280	(1,729)	(758)
Denominator for basic earnings per share (number of shares outstanding)	**—**	**—**	**—**
Weighted average number of shares outstanding (**)	6,668	6,668	6,668
Average treasury shares	(12)	(13)	(20)
Share buyback program (***)	(255)	—	—
Adjusted number of shares - Basic earnings per share (C)	**6,401**	**6,655**	**6,648**
Adjusted number of shares - diluted earnings per share (D)	**6,401**	**6,655**	**6,648**
Earnings (losses) per share (****)	**0.67**	**0.14**	**0.47**
Basic earnings (losses) per share from continuing operations (Euros per share)A-B/C	0.63	0.40	0.58
Diluted earnings (losses) per share from continuing operations (Euros per share)A-B/D	0.63	0.40	0.58
Basic earnings (losses) per share from discontinued operations (Euros per share)B/C	0.04	(0.26)	(0.11)
Diluted earnings (losses) per share from discontinued operations (Euros per share)B/D	0.04	(0.26)	(0.11)

(*) Remuneration in the year related to contingent convertible securities, recognized in equity (see Note 22.4).

(**) Weighted average number of shares outstanding (millions of euros), excluding weighted average of treasury shares during the year.

(***) Consists of 112 million shares acquired between November 22 and December 31, 2021, by J.P. Morgan AG, as manager of the first tranche of the shares buyback program approved by the Board of Directors in October 2021 (€1,500 million); and the estimated number of shares pending to be acquired under such tranche as of December 31, 2021 (see Note 4)

(****) In 2021, 2020 and 2019 the weighted average number of shares outstanding was 6,668 million. The adjustment of additional Tier 1 securities amounted to €359, €387 and €419 million in 2021, 2020 and 2019, respectively.

As of December 31, 2021, 2020 and 2019, there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same.

6. Operating segment reporting

Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

As of December 31, 2021 the structure of the information by operating segments reported by the BBVA Group differs from that presented at the end of the 2020 financial year, mainly as a consequence of the exclusion of the United States as an operating segment, as a result of the sale agreement reached with PNC and the completion of the transaction (see Note 3). Most of the businesses in the United States excluded from this agreement, together with those of the former operating segment "Rest of Eurasia" (which has been eliminated) constitute a new operating segment called "Rest of Business".

The BBVA Group's operating segments as of December 31, 2021 are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain, including the results of the new company BBVA Allianz Seguros y Reaseguros, S.A. (see Note 3).

- Mexico

  Includes banking and insurance businesses in this country as well as the activity of BBVA Mexico in Houston.

- Turkey

  Includes the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Primarily includes the Group´s banking and insurance businesses in the region. With respect to the sale of BBVA Paraguay, the closing of the transaction took place in January 2021 (see Note 3).

- Rest of Business

  Mainly includes the wholesale activity carried out in Europe (excluding Spain), and the United States through to the New York branch, as well as the institutional business that the Group develops in the United States through its broker-dealer BBVA Securities Inc. It also includes the banking business developed through the five BBVA branches located in Asia.

Lastly, 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 including the stake in the venture capital fund Propel Venture Partners; 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 completion of the sale to PNC on June 1, 2021 (see Note 21), are presented in a single line under the heading "Profit (loss) after tax from discontinued operations" in the consolidated income statement and in the income statement of the Corporate Center. Finally, the costs related to the Banco Bilbao Vizcaya Argentaria, S.A. restructuring process in Spain, which process is considered to be a strategic decision, are registered 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" (see Notes 24, 46, 49 and 50).

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2021, 2020 and 2019, is as follows:

Total Group assets by operating segments (Millions of Euros)	2021	2020 (*)	2019 (*)
Spain	413,477	408,030	367,678
Mexico	118,106	110,236	109,087
Turkey	56,245	59,585	64,416
South America	56,124	55,436	54,996
Rest of Business	40,314	35,172	32,891
Subtotal assets by operating segments	**684,266**	**668,460**	**629,068**
Corporate Center and adjustments	(21,381)	65,336	66,403
Total assets BBVA Group	**662,885**	**733,797**	**695,471**

(*) The figures corresponding to 2020 and 2019 have been restated.

The following table sets forth certain summarized information relating to results of each operating segment and Corporate Center for the years ended December 31, 2021, 2020 and 2019:

Main margins and profit by operating segments (Millions of euros)

		Operating Segments					
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center
2021							
Net interest income	14,686	3,502	5,836	2,370	2,859	281	(163)
Gross income	21,066	5,925	7,603	3,422	3,162	741	212
Operating income	11,536	2,895	4,944	2,414	1,661	291	(668)
Operating profit (loss) before tax	7,247	2,122	3,528	1,953	961	314	(1,632)
Profit (loss) after tax from discontinued operations	280	—	—	—	—	—	280
Net attributable profit (loss) (**)	**4,653**	**1,581**	**2,568**	**740**	**491**	**254**	**(980)**
2020 (*)							
Net interest income	14,592	3,566	5,415	2,783	2,701	291	(164)
Gross income	20,166	5,567	7,025	3,573	3,225	839	(63)
Operating income	11,079	2,528	4,680	2,544	1,853	372	(898)
Operating profit (loss) before tax	5,248	823	2,475	1,522	896	280	(748)
Profit (loss) after tax from discontinued operations	(1,729)	—	—	—	—	—	(1,729)
Net attributable profit (loss) (**)	**1,305**	**652**	**1,761**	**563**	**446**	**222**	**(2,339)**
2019 (*)							
Net interest income	15,789	3,585	6,209	2,814	3,196	236	(252)
Gross income	21,522	5,674	8,034	3,590	3,850	728	(353)
Operating income	11,368	2,420	5,383	2,375	2,276	249	(1,336)
Operating profit (loss) before tax	7,046	1,896	3,690	1,341	1,396	222	(1,499)
Profit (loss) after tax from discontinued operations	(758)	—	—	—	—	—	(758)
Net attributable profit (loss) (**)	**3,512**	**1,436**	**2,698**	**506**	**721**	**184**	**(2,032)**

(*) The figures of the Operating Segments corresponding to 2020 and 2019 have been restated.

(**) See Note 55.2.

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

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 analyzes 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 (RAF) variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Group's business. These risks are included in the following blocks:

- Risk associated with the COVID-19 pandemic

The COVID-19 (coronavirus) pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates. Despite the gradual improvement experienced in 2021 driven by the increase in the rate of vaccination, new waves of contagion continue to be a source of concern and the emergence of new strains remains a risk. Among other challenges, these countries are still dealing with high unemployment levels, weak activity, supply disruptions and increasing inflationary pressures, while public debt has increased significantly due to the support and spending measures implemented by the government authorities. Furthermore, there has been an increase in loan losses from both companies and individuals, which has so far been slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures. Likewise, volatility in the financial markets has affected exchange rates - mainly in emerging economies- and the value of assets and investments, which has adversely affected the Group's results in the past, and could do so again. There are still uncertainties about the final future impact of the COVID-19 pandemic, mainly if there is an increase in infections caused by the new variants of the coronavirus.

Furthermore, the Group has been and may be affected during the following quarters or years by the measures or recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the modification of prudential requirements, the temporary suspension of dividend payments, the modification of the deferral of monthly installments for certain loans and the granting of guarantees or public guarantees to new credit operations for companies and self-employed persons, the adoption of further similar measures or the termination of those already approved, as well as any changes in financial assets purchase programs by the ECB.

Since the outbreak of the pandemic, the Group has experienced a decline in its activity. For example, the granting of new loans to individuals has generally decreased. In addition, the Group faces various risks, such as an increased risk of volatility in the value of its assets (including financial instruments valued at fair value, which may suffer significant fluctuations) and of the securities held for liquidity reasons, a possible increase in the NPL ratio and risk-weighted assets, as well as a negative impact on the Group's cost of financing and on its access to financing (especially in an environment where credit ratings are affected). Following the generalized lifting of mobility restrictions and the increasing resumption of normal operations, greater emphasis is being placed on the particular circumstances of each customer, in addition to its respective industry or sector.

Furthermore, the pandemic could continue to adversely affect the business and transactions of third parties that provide critical services to the Group and, in particular, the higher demand and/or the lower availability of certain resources could, in some cases, make it more difficult for the Group to maintain the required service levels. In addition, the widespread use of remote work has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

In summary, while the COVID-19 pandemic had adverse effects on the Group's results and capital base during 2020, these were mitigated throughout 2021, with improvements in the global economic background leading to a strong improvement in 2021 results.

- Macroeconomic and geopolitical risks

In 2021 the global economy has grown significantly, recovering in part from the crisis caused by the pandemic, which caused a sharp fall in global GDP in 2020. The significant upturn in global growth has been due to progress in the vaccination against COVID-19 and important economic stimuli adopted by public authorities.

Activity indicators show, however, that the economic recovery process has lost momentum in recent months. The recent slowdown in economic growth is taking place in an environment marked by a sharp increase in infections caused by new variants of the COVID-19, although the increasing immunization of the world population has helped to generally prevent the adoption of mobility restrictions, which would have had a greater impact on the economy.

The effects of reduced production due to the pandemic and its persistence, coupled with fiscal stimuli and strong demand for goods, once restrictions have been lifted, contribute to maintaining the problems in global supply chains observed since the beginning of 2021 which, in addition to negatively affecting economic activity, generate significant upward pressure on prices.

Against this backdrop, annual inflation in December 2021 stood at 7.0% in the United States and 5.0% in the Eurozone. In both geographical areas, long-term inflation expectations from markets and surveys have been adjusted upwards, although in the case of the Eurozone they remain generally below the European Central Bank's 2% target.

High inflation rates and their increased persistence have put pressure on central banks to withdraw monetary stimuli earlier than they had originally anticipated. The United States Federal Reserve, in particular, has begun the rollback in its bond-buying program and has suggested that monetary policy interest rates will adjust upwards earlier and faster than expected by financial markets and financial analysts, and also that a downsizing of its balance sheet may soon begin. In the Eurozone, the ECB will complete the pandemic emergency purchase program (PEPP) in March 2022. Although the asset purchase program (APP) is maintained, asset purchases will be moderated over the course of 2022. However, unlike the Federal Reserve, the ECB has continued to maintain that it rules out an increase in benchmark interest rates in 2022.

According to BBVA Research, the global economic recovery process is expected to continue in the coming months, albeit at a slightly slower pace than expected in autumn of 2021, due to the persistence of the pandemic, but also due to a higher-than-estimated impact of supply chain problems and inflationary pressures. All this against a background of reduced fiscal and monetary stimulus. GDP growth would therefore moderate, from an estimated 5.6% in 2021 to about 4.2% in 2022 in the United States, from 5.1% in 2021 to 3.7% in 2022 in the Eurozone and from 8.0% in 2021 to 5.2% in 2022 in China. The likely rise in monetary policy interest rates in the United States, which could reach 1.25% by the end of 2022, as well as a progressive control of the pandemic and a moderation of supply chain problems, would allow inflation to be moderated throughout the year; although inflation is expected to remain high, particularly in the United States. Risks arising from this economic scenario expected by BBVA Research are significant and are biased downwards in the case of activity, and include more persistent inflation, financial turbulence caused by a more aggressive withdrawal of monetary stimuli, the emergence of new variants of the coronavirus that bypass current vaccines, a more intense slowdown in the Chinese economy, as well as social and geopolitical tensions. Likewise, the countries in which the Group operates face various idiosyncratic risks, beyond those related to the global environment.

– Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

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 entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, the internal control model, the Code of Conduct, the Corporate Principles in tax matters and Responsible Business Strategy of the Group.

– Business, operational and legal risks

New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

Regarding legal risks, the financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are usually 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 other government procedures and investigations, such as those carried out by the antitrust authorities in certain countries which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others. In addition, the regulatory framework, in the jurisdictions in which the Group operates, is evolving towards a supervisory approach more focused on the opening of sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain judgments in favor of consumers handed down by national and supranational courts (with regards to matters such as credit cards and mortgage loans), have increased significantly in recent years and this trend could continue in the future. The legal and regulatory actions and proceedings faced by other financial institutions in relation to these and other matters, especially if such actions or proceedings result in favorable resolutions for the consumer, could also adversely affect the Group.

All of the above may result in a significant increase in operating and compliance costs or even a reduction of revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the procedural or management costs for the Group) could damage the Group's reputation, generate a knock-on effect or otherwise adversely affect the Group.

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

As of December 31, 2021, the Group had €623 million in provisions for the proceedings it is facing (included in the line "Provisions for litigation and pending tax cases" in the consolidated balance sheet) (see Note 24), of which €533 million correspond to legal contingencies and €90 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

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

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 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.

This governance scheme has been key in the management of the COVID-19 crisis in all the geographical areas where the Group operates, in which it has been possible to ensure the maintenance of the flow of funds required for the operation of the economies while rigorously analyzing and monitoring the credit quality of exposures.

COVID-19 support measures

Since the beginning of the pandemic, the Group offered COVID-19 support measures to its customers (individuals, SMEs and wholesale) in all the geographic areas where it operates, consisting of both deferrals on existing loans and new public-guaranteed lending. These measures were extended to individual customers and, in the case of legal entities, to different sectors, with Leisure and Real Estate being the sectors that have used them most. Deferral support schemes have expired in all geographical areas.

Deferrals were both legislative (based on national laws) and non-legislative (based on sectorial or individual schemes) and were aimed at mitigating the effects of COVID-19 and deferring the payment of principal and/or interest, while maintaining the original contracts. The detail of legislative deferrals by geographical area is as follows:

Spain:

- Mainly covered by Royal Decree Laws (hereinafter "RDL") 8/2020 and 11/2020, as well as by the sector agreement promoted by the Spanish Banking Association (hereinafter "AEB") to which BBVA adhered.

- Legislative deferrals consisted of a three-month deferral of principal and interest payments and were aimed, by type of client, at individuals, sole proprietors or the self-employed and, by type of product, at mortgages, personal loans or consumer loans.

- In addition, once the legal deferral expired, customers could adhere to the sector agreement for the remaining term up to the limit established in that agreement.

- Deferrals granted under the AEB sectorial agreement had a duration of up to 12 months of principal deferral in the case of mortgage loans and up to 6 months in personal loans.

- Under RDL 26/2020, the possibility of deferring the principal and/or interests was offered for companies in the transport sector for up to 6 months and for companies in the tourism sector for up to 12 months.

Mexico:

- The National Banking and Securities Commission (hereinafter, "CNBV") published the official records P285/2020 dated March 26, 2020 and P293/2020 dated April 15, 2020, allowing the granting of deferrals on principal and interest for a term of 4 months, extendable for 2 months more. The main beneficiaries of these measures were individuals and companies, impacting mortgage loans, personal loans and consumer loans, including credit cards.

Turkey:

- The Banking Regulation and Supervisory Agency (hereinafter, "BRSA") instructed banks to support customers through deferrals, consisting of deferring payments for a period of 3 months, with a potential extension of up to 6 months. These support measures were granted to individual customers.

Colombia:

- The binding legislation for deferrals is provided by the Financial Superintendence of Colombia, specifically by its Circulars 07/2020 and 14/2020, as well as Resolution No. 385. The deferrals offered consisted of the deferral of principal and interest payments for up to 6 months.

Peru:

- Several measures were approved by the Superintendence of Banking and Insurance (SBS) of Peru, allowing the deferral of principal and interest payments, initially for up to 6 months and later extended for up to 12 months, mainly for individuals, self-employed and small companies.

Argentina:

- Based on state legislation such as Royal Decree 544/2020 or Decree 319/2020, as well as on various regulations from the Central Bank. Deferral for up to 3 months of principal and interest.

With regard to new financing with public guarantees, the Group's involvement in the following is noteworthy:

Spain:

- The Official Credit Institute (hereinafter, ICO) published several aid programs aimed at the self-employed, small and medium-sized enterprises (hereinafter "SMEs") and companies, through which a guarantee of between 60% and 80% (in SMEs always 80%) was granted for a term of up to 5 years for new financing granted (RDL Mar/2020).
- The amount and duration of the guarantee depended on the size of the company and the type of aid to which it applied, and could be extended for up to a maximum term of 3 additional years and the grace period could be extended for up to 12 additional months with respect to the terms and grace periods initially agreed (RDL Nov/2020).
- Likewise, facilities were provided in term extensions (up to a maximum term of 10 years), conversion of financing operations into Participative Loans as well as debt forgiveness in part of the financing (RDL 5/2021 and Code of Good Practices).
- The ICO has also subsidized for individuals the amount of the rent for up to 6 months in loans of up to 6 years.
- Almost all of the ICO loans with the expired grace period have resumed payment on a regular basis or canceled their debt.
- ICO loan extensions represented around 25% of all ICO financing.

Turkey:

- Public support programs have been registered guaranteeing up to 80% of loans to companies for a term of 1 year.

Colombia:

- Different public support programs (FNG, Bancoldex, Finagro, Findeter) provide for guarantees covering between 50-90%.

Peru:

- There were public support programs such as Reactiva, Crecer or FAE aimed at companies and micro-enterprises with guaranteed amounts ranging from 60% to 98%, depending on the program and the type of company.
- For loans granted under the Reactiva program, it was possible to extend both the maturity date and the grace period of the loans.

Argentina:

- Guarantees of up to 100% for micro-SMEs or self-employed and up to 25% for other companies in loans of up to 1 year

The outstanding balance of existing loans for which a payment deferral was granted (split by those existing at year-end and those that were completed by year-end) under EBA standards and for which financing was granted with public guarantees given at a Group level, as well as the number of customers of both measures, as of December 31, 2021 and 2020 are as follows:

Amount of payment deferral and financing with public guarantees of the Group (Millions of Euros)

	Payment deferral				Financing with public guarantees			
	Existing	Completed	Total	Number of customers	Total	Number of customers	Total payment deferral and guarantees	(%) credit investment
December 2021	189	21,743	21,931	2,188,720	16,093	264,809	38,025	10.9 %
December 2020 (*)	6,536	21,868	28,405	2,779,964	16,053	249,458	44,458	12.9 %

(*) Figures as of December 2020 do not include the companies sold in the United States in 2021.

The outstanding balance of existing loans for which a payment deferral was granted (split by those existing at year-end and those that were completed by year-end) under EBA standards and for which financing was granted with public guarantees given at a Group level, broken down by segment, as of December 31, 2021 and 2020 are as follows:

Amount of payment deferral and financing with public guarantees by concept (Millions of Euros)

	Payment deferral						Financing with public guarantees	
	Existing		Completed		Total			
	2021	2020 (*)	2021	2020 (*)	2021	2020 (*)	2021	2020 (*)
Group	**189**	**6,536**	**21,743**	**21,868**	**21,931**	**28,405**	**16,093**	**16,053**
Households	107	4,503	14,904	14,550	15,011	19,052	1,376	1,235
Of which: Mortgages	*97*	*3,587*	*10,195*	*7,471*	*10,291*	*11,059*	*6*	*1*
SMEs	44	*1,023*	3,950	4,743	3,994	5,766	10,911	10,573
Non-financial corporations	37	961	2,766	2,397	2,803	3,358	3,788	4,232
Other	—	50	122	179	122	229	18	13

(*) Figures as of December 2020 do not include the companies sold in the United States in 2021..

Amount of payment deferral by stages (Millions of Euros)

	Stage 1		Stage 2		Stage 3		Total	
	2021	2020 (*)	2021	2020 (*)	2021	2020 (*)	2021	2020 (*)
Group	**13,236**	**18,602**	**6,252**	**7,736**	**2,444**	**2,066**	**21,931**	**28,405**
Households	9,167	12,336	3,707	4,997	2,137	1,719	15,011	19,052
Of which: Mortgages	*6,360*	*7,347*	*2,444*	*2,844*	*1,487*	*867*	*10,291*	*11,059*
SMEs	2,609	4,147	1,131	1,327	254	292	3,994	5,766
Non-financial corporations	1,364	1,903	1,387	1,399	53	56	2,803	3,358
Other	95	216	27	13	—	—	122	229

(*) Figures as of December 2020 do not include the companies sold in the United States in 2021.

Deferrals involved the temporary suspension, in whole or in part, of contractual obligations and their deferral for a specific period of time. Considering that the payment deferrals granted in connection with COVID -19 provide temporary relief to the debtors and that the economic value of the affected loans was not significantly impacted, no contractual modifications were considered and, therefore, the modified loans are accounted for as a continuation of the original loans.

During 2020, the loss of temporary value of the deferrals that did not trigger the right to collect interest was included 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" of the consolidated income statement, amounting to €304 million, of which €300 million had been already recognized as higher interest margin at such date. During 2021, the amount recognized was not significant.

Regarding the classification of exposures according to their credit risk, the Group has continued to apply IFRS 9 rigorously when granting the payment deferrals and has reinforced the procedures for monitoring credit risk both throughout the life of the transactions and at their maturity. This means that the payment deferrals granting does not imply in itself an automatic trigger for a significant increase in risk and that the transactions subject to the payment deferrals are initially classified in the stage in which they had previously been classified, unless, based on their risk profile, they should be classified in a worse stage. On the other hand, as evidence of payment has ceased to exist or has been reduced, the Group has introduced additional indicators or segmentations to identify the significant increase in risk or impairment that may have occurred in some transactions or a set of them and, where appropriate, they have been classified in Stage 2 or Stage 3.

Furthermore, the indications provided by the European Banking Authority (EBA) have been taken into account to not consider as "forbearance" the payment deferrals that meet a series of requirements. All this without prejudice to maintaining its consideration as a forbearance if it was previously qualified as such or classifying the exposure in the corresponding stage previously stated.

On the other hand, the treatment planned for the payment deferrals that expire and may require additional support will be in accordance with the updated evaluation of the customer's credit quality and the characteristics of the solution granted. If applicable, they will be treated as Refinancing or Restructuring as described in Note 7.2.7 of the Financial Statements.

Regarding public support for lending, it does not affect the evaluation of the significant increase in risk since risk is valued based on the credit quality of the relevant instrument. However, in estimating the expected loss, the existence of the guarantor implies a possible reduction in the level of provisions necessary since, for the hedged part, the loss that would be incurred in the foreclosure of the guarantee is taken into account.

The public guarantees granted in the different geographies in which the Group operates have been considered as an integral part of the terms and conditions of the loans granted under the consideration that the guarantees are granted at the same time that the financing is granted to the client and in a way inseparable from it.

The quantitative information on refinancing and restructuring operations is presented in Appendix XI: "Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012".

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 geography makes the necessary adaptations to capture its particularities. The methodology, assumptions and observations used by each geography 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 geography 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 geography 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 geography has established absolute and relative thresholds for identifying whether the expected changes in the probabilities of default have increased significantly compared to the initial moment, adapted to the particularities of each one of them in terms of origination levels, product characteristics, distribution by sectors or portfolios, and macroeconomic situation. To establish the aforementioned thresholds, a series of general principles are considered, such as:

- Uniformity: Based on the rating and scoring systems that, in a homogeneous manner, are implemented in the Group's units.

- Stability: The thresholds must be established to identify the significant increase in risk produced in exposures since their initial recognition and not only to identify those situations in which it is already foreseeable that they will reach the level of impairment. For this reason, it is to be expected that of the total exposures there will always be a representative group for which said increased risk is identified.

- Anticipation: The thresholds must consider the identification of the increased risk in advance with respect to the recognition of the exposures as impaired or even before a real default occurs. The calibration of the thresholds should minimize the cases in which the instruments are classified in stage 3 without having previously been recognized as stage 2.

- Indicators or metrics: It is expected that the classification of the exposures in stage 2 will have sufficient permanence to be able to develop an anticipatory management plan with respect to them before, where applicable, they end up migrating to stage 3.

- Symmetry: IFRS 9 provides for a symmetric treatment both to identify the significant increase in risk and to identify that it has disappeared, so the thresholds also work to improve the credit classification of exposures. In this sense, it is expected that the cases in which the exhibitions that improve from stage 3 are directly classified into stage 1 will be minimal.

- The identification of the significant increase in risk from the comparison of the probabilities of default should be the main reason why exposures in stage 2 are recognized.

Specifically, a contract will be transferred to stage 2 when the following two conditions are met by comparing the current PD values and the origination PD values:

$$(\text{current PD}) / (\text{Origination PD}) - 1*100 > \text{Relative Threshold } (\%) \text{ and}$$

$$\text{Current PD} - \text{Origination PD} > \text{Absolute threshold (bps)}$$

These absolute and relative thresholds are consistently established for each geography and for each portfolio, taking into account their particularities and based on the principles described. The thresholds set by each geography are included within the annual review process and, generally speaking, are in the range of 150% to 250% for the relative threshold and from 10 to 150 basis points for the absolute threshold.

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 calculation of ECL

The forward looking component is added to the calculation of the ECL through the introduction of macroeconomic scenarios as an input. Inputs highly depend on the particular combination of region and portfolio, so inputs are adapted to available data regarding each of them.

Based on economic theory and analysis, the main indicators most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD and EAD) are:

- The net income of families, corporates or public administrations.

- The outstanding payment amounts on the principal and interest on the financial instruments.

- The value of the collateral assets pledged to the loan.

BBVA Group approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by the BBVA Research department.

Only a single specific indicator for each of the three categories can be used and only one of the following core macroeconomic indicators should be chosen as first option:

- The real GDP growth for the purpose of conditional forecasting can be seen as the only “factor” required for capturing the influence of all potentially relevant macro-financial scenarios on internal PDs and LGD.

- The most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate) or exchange rates expressed in real terms.

- A comprehensive and representative index of the price of real estate properties expressed in real terms in the case of mortgage loans and a representative and real term index of the price of the relevant commodity for corporate loan portfolios concentrated in exporters or producers of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach

IFRS 9 requires calculating an unbiased probability weighted measurement of ECL by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the Group, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produce alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

Alternative macroeconomic scenarios

- For each of the macro-financial variables, BBVA Research produces three scenarios.

- BBVA Research tracks, analyzes and forecasts the economic environment to provide a consistent forward looking assessment about the most likely scenario and risks that impact BBVA’s footprint. To build economic scenarios, BBVA Research combines official data, econometric techniques and expert judgment.

- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.

- The non-linearity overlay is defined as the ratio between the probability-weighted ECL under the alternative scenarios and the baseline scenario, where the scenario’s probability depends on the distance of the alternative scenarios from the base one.

- BBVA Group establishes equally weighted scenarios, being the probability 34% for the baseline scenario, 33% for the unfavorable alternative scenario and 33% for the favorable alternative scenario.

The approach in the BBVA Group consists on using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, Budgeting, etc.) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios. This effect is calculated taking into account the average weight of the expected loss determined for each scenario.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear.

On the other hand, the BBVA Group also takes into account the range of possible scenarios when defining its significant increase in credit risk. Thus, the PDs used in the quantitative process to identify the significant increase in credit risk will be those that result from making a weighted average of the PDs calculated under the three scenarios.

Macroeconomic scenarios

The COVID-19 pandemic generated uncertainty over macroeconomic outlooks, having a direct impact on the credit risk of entities, particularly, on the expected credit losses under IFRS 9. The situation remains unclear, including the remaining duration of the pandemic. At the outset of the pandemic, the expectation was that this situation would provoke a severe recession followed by an economic recovery, but which would not achieve the pre-crisis GDP levels in the short-term, supported by the measures issued by governments and monetary authorities.

This situation prompted the accounting authorities and the banking supervisors to adopt measures in order to mitigate the impacts that the crisis would have on the calculation of expected credit losses under IFRS 9 as well as on solvency, urging:

- the entities to evaluate all the available information, weighing more the long-term forecasts against the short-term economic factors
- the governments to adopt measures to avoid the effects of impairment,
- the entities to develop managerial measures as the design of specific products adapted to the situation which could occur during this crisis.

Almost all accounting and prudential authorities issued recommendations or measures within the COVID-19 crisis framework regarding the estimation of the expected losses under IFRS 9 in a coordinated manner.

The common denominator of all of these recommendations was that, given the difficulty of establishing reliable macroeconomic forecasts, the transitory nature of the economic shock and the need to incorporate the effect of the mitigating measures issued by the governments, a review of the automatic application of the models in order to increase the weight of the long-term macroeconomic forecasts in the calculation of the expected losses was needed. As a result thereof, the expected outcome over the lifetime of the transactions had more weight than the short-term macroeconomic impact.

In this respect, the BBVA Group took into account those recommendations in the calculation of the expected credit losses under IFRS 9, considering that the economic situation caused by the COVID-19 pandemic is transitory and is expected to be followed by a recovery, even if there is uncertainty over the level and the time period of such recovery. As a consequence, different scenarios have been taken into consideration in the calculation of expected losses, resulting in the model management believes suits best the current economic situation and the combined recommendations issued by the authorities.

In 2021, once the most critical phase of the pandemic has been overcome, the forward looking information incorporated in the calculation of expected losses is in line with the macroeconomic perspectives published by BBVA Research as was usual until the beginning of the pandemic. However, certain management adjustments are maintained as described in the section "Additional adjustments to expected loss measurement" to cover exposures that are estimated even with a greater degree of uncertainty.

BBVA Research forecasts a maximum of five years for the macroeconomic variables. The following estimates for the next five years of the Gross Domestic Product (GDP) growth, of the unemployment rate and of the House Price Index (HPI), for the most relevant countries where it represents a significant factor, are determined by BBVA Research and have been used at the time of the calculation of the ECL as of December 31, 2021:

Positive scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2021	5.52%	14.42%	0.33%	6.39%	4.18%	2.35%	11.63%	11.90%
2022	6.14%	12.50%	4.70%	4.07%	3.89%	5.38%	5.60%	11.35%
2023	5.13%	10.05%	3.06%	2.81%	3.75%	3.85%	5.80%	11.93%
2024	2.61%	8.48%	1.87%	2.17%	3.69%	3.07%	3.62%	12.66%
2025	2.22%	7.49%	1.56%	1.88%	3.64%	4.08%	3.66%	12.94%
2026	2.19%	6.71%	1.19%	1.83%	3.59%	3.95%	3.66%	13.05%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2021	13.60%	11.33%	9.91%	15.12%	9.89%	15.36%
2022	4.91%	7.50%	6.69%	11.34%	5.33%	13.60%
2023	3.78%	6.82%	3.02%	9.48%	3.38%	13.22%
2024	2.76%	6.55%	2.09%	7.99%	3.30%	12.31%
2025	2.34%	6.52%	2.16%	6.89%	3.44%	11.58%
2026	2.28%	6.47%	2.12%	6.88%	3.51%	11.32%

Base scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2021	5.23%	14.93%	(0.20)%	5.98%	4.22%	2.46%	9.46%	12.43%
2022	5.49%	13.98%	2.91%	3.19%	4.05%	5.30%	1.98%	12.80%
2023	4.89%	11.68%	2.04%	2.54%	3.92%	3.68%	5.04%	12.93%
2024	2.59%	10.08%	1.50%	2.09%	3.83%	3.07%	3.49%	13.03%
2025	2.22%	9.05%	1.10%	1.87%	3.77%	4.08%	3.54%	13.13%
2026	2.19%	8.15%	0.74%	1.82%	3.71%	3.93%	3.53%	13.23%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2021	12.22%	11.38%	7.49%	15.50%	9.17%	15.44%
2022	2.32%	7.70%	2.30%	12.35%	4.02%	13.86%
2023	3.05%	7.06%	2.04%	10.40%	3.13%	13.51%
2024	2.76%	6.76%	1.98%	8.60%	3.29%	12.60%
2025	2.34%	6.70%	2.03%	7.38%	3.44%	11.87%
2026	2.28%	6.64%	1.99%	7.38%	3.51%	11.53%

Negative scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2021	4.95%	15.41%	(0.82)%	5.58%	4.27%	2.54%	7.29%	12.94%
2022	4.88%	15.41%	1.31%	2.33%	4.23%	5.13%	(1.87)%	14.26%
2023	4.68%	13.25%	1.09%	2.26%	4.10%	3.48%	4.09%	13.99%
2024	2.54%	11.65%	0.99%	2.03%	3.99%	2.92%	3.40%	13.41%
2025	2.18%	10.62%	0.35%	1.82%	3.90%	4.05%	3.47%	13.31%
2026	2.15%	9.61%	(0.01)%	1.78%	3.84%	3.93%	3.46%	13.40%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2021	10.84%	11.43%	5.14%	15.86%	8.43%	15.52%
2022	(0.28)%	7.90%	(2.34)%	13.33%	2.72%	14.12%
2023	2.31%	7.30%	0.85%	11.29%	2.83%	13.79%
2024	2.76%	6.98%	1.86%	9.19%	3.29%	12.87%
2025	2.34%	6.91%	1.88%	7.83%	3.43%	12.13%
2026	2.28%	6.85%	1.83%	7.85%	3.51%	11.71%

The estimate for the next five years of the following rates, used in the measurement of the expected loss as of December 31, 2020, consistent with the latest estimates made public at that date, was:

Positive scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2020	(11.20)%	16.44%	(1.44)%	(8.85)%	4.57%	1.71%	2.07%	13.45%
2021	6.63%	16.03%	(3.28)%	4.58%	5.40%	(1.23)%	9.08%	12.60%
2022	6.27%	12.72%	4.56%	3.80%	5.17%	0.32%	5.30%	11.58%
2023	2.95%	10.82%	5.79%	1.62%	5.04%	0.31%	4.13%	11.58%
2024	2.07%	9.58%	3.66%	1.47%	4.91%	1.01%	4.11%	11.19%
2025	2.01%	8.55%	3.57%	1.47%	4.76%	1.72%	4.10%	10.85%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(11.74)%	12.75%	(10.64)%	13.60%	(6.80)%	18.14%
2021	12.56%	10.29%	9.95%	14.39%	6.80%	16.14%
2022	5.25%	10.00%	3.52%	11.88%	3.70%	14.53%
2023	3.68%	8.73%	2.08%	8.99%	3.15%	14.28%
2024	3.58%	7.23%	2.11%	7.69%	3.27%	12.49%
2025	3.35%	6.88%	2.14%	6.78%	3.60%	12.28%

Base scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2020	(11.48)%	16.95%	(1.98)%	(9.25)%	4.62%	1.81%	(0.01)%	13.98%
2021	5.99%	17.51%	(5.08)%	3.71%	5.57%	(1.32)%	5.52%	14.05%
2022	6.04%	14.35%	3.48%	3.53%	5.35%	0.15%	4.53%	12.58%
2023	2.93%	12.41%	5.44%	1.55%	5.19%	0.31%	4.01%	11.95%
2024	2.07%	11.14%	3.20%	1.45%	5.03%	1.02%	3.99%	11.38%
2025	2.01%	9.99%	3.12%	1.46%	4.88%	1.71%	3.98%	11.03%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(13.04)%	12.80%	(13.00)%	13.98%	(7.51)%	18.23%
2021	10.05%	10.48%	5.54%	15.40%	5.48%	16.40%
2022	4.52%	10.23%	2.54%	12.80%	3.46%	14.83%
2023	3.69%	8.93%	1.98%	9.60%	3.15%	14.57%
2024	3.58%	7.41%	1.98%	8.18%	3.27%	12.78%
2025	3.35%	7.06%	2.01%	7.28%	3.60%	12.55%

Negative scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2020	(11.76)%	17.44%	(2.60)%	(9.64)%	4.67%	1.89%	(2.10)%	14.49%
2021	5.37%	18.94%	(6.69)%	2.84%	5.75%	(1.48)%	1.75%	15.51%
2022	5.82%	15.92%	2.49%	3.25%	5.53%	(0.06)%	3.56%	13.64%
2023	2.88%	13.99%	4.94%	1.48%	5.34%	0.17%	3.92%	12.33%
2024	2.03%	12.70%	2.45%	1.41%	5.17%	0.99%	3.91%	11.56%
2025	1.97%	11.45%	2.36%	1.41%	5.02%	1.70%	3.91%	11.20%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(14.33)%	12.85%	(15.28)%	14.34%	(8.25)%	18.31%
2021	7.53%	10.69%	0.89%	16.38%	4.16%	16.66%
2022	3.78%	10.48%	1.33%	13.69%	3.16%	15.10%
2023	3.69%	9.15%	1.86%	10.19%	3.15%	14.84%
2024	3.57%	7.62%	1.83%	8.63%	3.27%	13.04%
2025	3.35%	7.27%	1.86%	7.75%	3.60%	12.80%

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.

Expected loss variation as of December 31, 2021

	BBVA Group					Spain			Mexico			Turkey		
GDP	**Total Portfolio**	**Retail**	**Mortgages**	**Wholesaler**	**Fixed income**	**Total Portfolio**	**Mortgages**	**Companies**	**Total Portfolio**	**Mortgages**	**Cards**	**Total Portfolio**	**Wholesale**	**Retail**
-100pb	3.44%	3.18%	*3.43%*	4.87%	1.87%	3.33%	4.03%	4.16%	3.73%	2.06%	6.57%	2.39%	2.03%	2.67%
+100pb	(3.20)%	(2.96)%	*(2.92)%*	(4.54)%	(1.82)%	(3.06)%	(3.35)%	(3.97)%	(3.56)%	(1.96)%	(6.07)%	(2.29)%	(2.08)%	(2.47)%
Housing price														
-100pb							5.17%	0.78%		2.90%				
+100pb							(5.11)%	(0.77)%		(2.73)%				

Expected loss variation as of December 31, 2020

	BBVA Group					Spain			Mexico			Turkey		
GDP	**Total Portfolio**	**Retail**	**Mortgages**	**Wholesaler**	**Fixed income**	**Total Portfolio**	**Mortgages**	**Companies**	**Total Portfolio**	**Mortgages**	**Cards**	**Total Portfolio**	**Wholesale**	**Retail**
-100pb	3.55%	3.47%	*3.72%*	3.91%	1.58%	3.72%	4.39%	3.96%	3.91%	2.20%	6.30%	1.56%	1.58%	1.62%
+100pb	(3.25)%	(3.14)%	*(3.03)%*	(3.69)%	(1.97)%	(3.32)%	(3.57)%	(3.53)%	(3.64)%	(2.07)%	(5.78)%	(1.47)%	(1.55)%	(1.47)%
Housing price														
-100pb							5.41%	0.79%		3.13%				
+100pb							(5.35)%	(0.77)%		(4.47)%				

Additional adjustments to expected loss measurement

In addition to what is described on individualized and collective estimates of expected losses and macroeconomic estimates, the Group may supplement the expected losses if it deems it necessary to account for the effects that may not be included, either by considering risk drivers or by the incorporation of sectorial particularities or that may affect a set of operations or borrowers. These adjustments should be temporary, until the reasons that motivated them disappear or materialize.

For this reason, the expected losses have been supplemented with additional amounts that have been considered necessary to collect the particular characteristics of borrowers, sectors or portfolios and that may not be identified in the general process. In order to incorporate those effects that are not included in the impairment models, management adjustments to the expected losses exist, which amounted to €311 million as of December 31, 2021 (€226 million in Spain, €18 million in Peru and €68 million in Mexico). As of December 31, 2020 there were €223 million in Spain. The variation in 2021 in Spain and Peru is driven by an additional provision given the possibility of new extensions in the financing granted or agreements aimed at ensuring business viability as well as a charge in Mexico for the anticipation of the potential credit deterioration following the expiration of payment deferrals.

7.2.2 Credit risk exposure

In accordance with IFRS 7 "Financial instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the balance sheets as of December 31, 2021, 2020 and 2019 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)					
	Notes	**December 2021**	***Stage 1***	***Stage 2***	***Stage 3***
Financial assets held for trading		**92,560**			
Equity instruments	10	15,963			
Debt securities	10	25,790			
Loans and advances	10	50,807			
Non-trading financial assets mandatorily at fair value through profit or loss		**6,086**			
Equity instruments	11	5,303			
Debt securities	11	128			
Loans and advances	11	655			
Financial assets designated at fair value through profit or loss	**12**	**1,092**			
Derivatives (trading and hedging)		**43,687**			
Financial assets at fair value through other comprehensive income		**60,495**			
Equity instruments	13	1,320			
Debt securities		59,148	58,587	561	—
Loans and advances to credit institutions	13	27	27	—	—
Financial assets at amortized cost		**383,870**	**334,772**	**34,418**	**14,680**
Debt securities		34,833	34,605	205	22
Loans and advances to central banks		5,687	5,687	—	—
Loans and advances to credit institutions		13,295	13,285	10	—
Loans and advances to customers		330,055	281,195	34,203	14,657
Total financial assets risk		**587,789**			
Total loan commitments and financial guarantees		**165,941**	**152,914**	**12,070**	**957**
Loan commitments given	33	119,618	112,494	6,953	171
Financial guarantees given	33	11,720	10,146	1,329	245
Other commitments given	33	34,604	30,274	3,789	541
Total maximum credit exposure		**753,730**			

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2020	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**65,696**			
Equity instruments	10	11,458			
Debt securities	10	23,970			
Loans and advances	10	30,268			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,198**			
Equity instruments	11	4,133			
Debt securities	11	356			
Loans and advances	11	709			
Financial assets designated at fair value through profit or loss	**12**	**1,117**			
Derivatives (trading and hedging)		**46,302**			
Financial assets at fair value through other comprehensive income		**69,537**			
Equity instruments	13	1,100			
Debt securities		68,404	67,995	410	—
Loans and advances to credit institutions	13	33	33	—	—
Financial assets at amortized cost		**379,857**	**334,552**	**30,607**	**14,698**
Debt securities		35,785	35,759	6	20
Loans and advances to central banks		6,229	6,229	—	—
Loans and advances to credit institutions		14,591	14,565	20	6
Loans and advances to customers		323,252	277,998	30,581	14,672
Total financial assets risk		**567,705**			
Total loan commitments and financial guarantees		**179,440**	**165,726**	**12,682**	**1,032**
Loan commitments given	33	132,584	124,104	8,214	265
Financial guarantees given	33	10,665	9,208	1,168	290
Other commitments given	33	36,190	32,414	3,300	477
Total maximum credit exposure		**747,145**			

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**67,238**			
Equity instruments	10	8,892			
Debt securities	10	26,309			
Loans and advances	10	32,037			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,557**			
Equity instruments	11	4,327			
Debt securities	11	110			
Loans and advances	11	1,120			
Financial assets designated at fair value through profit or loss	**12**	**1,214**			
Derivatives (trading and hedging)		**39,462**			
Financial assets at fair value through other comprehensive income		**61,293**			
Equity instruments	13	2,420			
Debt securities		58,841	58,590	250	—
Loans and advances to credit institutions	13	33	33	—	—
Financial assets at amortized cost		**451,640**	**402,024**	**33,624**	**15,993**
Debt securities		38,930	38,790	106	33
Loans and advances to central banks		4,285	4,285	—	—
Loans and advances to credit institutions		13,664	13,500	158	6
Loans and advances to customers		394,763	345,449	33,360	15,954
Total financial assets risk		**626,404**			
Total loan commitments and financial guarantees		**181,116**	**169,663**	**10,452**	**1,001**
Loan commitments given	33	130,923	123,707	6,945	270
Financial guarantees given	33	10,984	9,804	955	224
Other commitments given	33	39,209	36,151	2,552	506
Total maximum credit exposure		**807,520**			

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").

The breakdown by geographical location 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, 2021, 2020 and 2019 is shown below:

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 (*)	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 (**)	33,472	26,497	4,134	2,841	(2,058)	(224)	(424)	(1,410)	31,414	26,273	3,711	1,431
South America (***)	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 (****)	**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)*				

(*) Spain includes all countries where BBVA, S.A. operates.

(**) Turkey includes all countries in which Garanti BBVA operates.

(***) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.

(****) The amount of the accumulated allowances includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2021, the remaining balance was €266 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2020 (Millions of Euros)												
	Gross exposure				**Accumulated allowances**				**Carrying amount**			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Spain (*)	195,983	171,397	16,387	8,199	(5,679)	(753)	(849)	(4,077)	190,304	170,644	15,538	4,122
Mexico	52,211	46,373	4,071	1,767	(2,211)	(685)	(442)	(1,083)	50,000	45,688	3,628	684
Turkey (**)	39,633	30,832	5,806	2,995	(2,338)	(246)	(535)	(1,557)	37,295	30,586	5,272	1,438
South America (***)	34,499	28,484	4,312	1,703	(1,870)	(320)	(460)	(1,090)	32,629	28,165	3,852	612
Others	925	912	5	8	(7)	(1)	—	(6)	918	911	4	2
Total (****)	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**
Of which: individual					*(2,611)*	*(10)*	*(479)*	*(2,122)*				
Of which: collective					*(9,494)*	*(1,995)*	*(1,808)*	*(5,691)*				

(*) Spain includes all countries where BBVA, S.A. operates.

(**) Turkey includes all countries in which Garanti BBVA operates.

(***) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.

(****) The amount of the accumulated allowances includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2020 the remaining balance was €363 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2019 (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 (*)	197,058	173,843	14,599	8,616	(5,311)	(712)	(661)	(3,939)	191,747	173,131	13,939	4,677
The United States	57,387	49,744	7,011	632	(688)	(165)	(342)	(182)	56,699	49,580	6,670	450
Mexico	60,099	54,748	3,873	1,478	(2,013)	(697)	(404)	(912)	58,087	54,052	3,469	566
Turkey (**)	43,113	34,536	5,127	3,451	(2,613)	(189)	(450)	(1,974)	40,500	34,347	4,677	1,477
South America (***)	36,265	31,754	2,742	1,769	(1,769)	(366)	(323)	(1,079)	34,497	31,388	2,419	690
Others	839	824	7	9	(8)	(1)	(1)	(6)	832	823	6	2
Total (****)	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**
Of which: individual					*(2,795)*	*(6)*	*(347)*	*(2,441)*				
Of which: collective					*(9,608)*	*(2,123)*	*(1,834)*	*(5,652)*				

(*) Spain includes all countries where BBVA, S.A. operates.

(**) Turkey includes all countries in which Garanti BBVA operates.

(***) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.

(****) 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, 2019 the remaining balance was €433 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, 2021, 2020 and 2019 is shown below:

December 2021 (Millions of Euros)

	Gross exposure				Accumulated allowances				Net amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Public administrations	19,719	19,287	369	62	(37)	(13)	(5)	(19)	19,682	19,274	364	43
Other financial corporations	9,826	9,672	131	24	(23)	(8)	(6)	(9)	9,804	9,664	125	15
Non-financial corporations	146,797	120,140	19,366	7,290	(5,804)	(759)	(1,306)	(3,738)	140,993	119,381	18,060	3,552
Households	153,714	132,096	14,336	7,281	(5,253)	(1,184)	(773)	(3,295)	148,461	130,912	13,563	3,986
Loans and advances to customers	**330,055**	**281,195**	**34,203**	**14,657**	**(11,116)**	**(1,964)**	**(2,091)**	**(7,061)**	**318,939**	**279,231**	**32,112**	**7,596**

December 2020 (Millions of Euros)

	Gross exposure				Accumulated allowances				Net amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Public administrations	19,439	19,163	200	76	(48)	(14)	(9)	(25)	19,391	19,149	191	51
Other financial corporations	9,856	9,747	95	14	(39)	(25)	(6)	(7)	9,817	9,722	88	7
Non-financial corporations	142,547	119,891	15,179	7,477	(6,123)	(774)	(1,110)	(4,239)	136,424	119,117	14,069	3,238
Households	151,410	129,196	15,108	7,106	(5,895)	(1,192)	(1,161)	(3,542)	145,515	128,005	13,946	3,564
Loans and advances to customers	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**

December 2019 (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	28,281	27,511	682	88	(59)	(15)	(22)	(21)	28,222	27,496	660	66
Other financial corporations	11,239	11,085	136	17	(31)	(19)	(2)	(10)	11,207	11,066	134	8
Non-financial corporations	173,254	148,768	16,018	8,468	(6,465)	(811)	(904)	(4,750)	166,789	147,957	15,114	3,718
Households	181,989	158,085	16,523	7,381	(5,847)	(1,283)	(1,252)	(3,312)	176,142	156,801	15,272	4,069
Loans and advances to customers	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**

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, 2021, 2020 and 2019 is shown below:

December 2021 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	6	—	321	2,339	495	3,161	3,345
Credit card debt	—	—	—	1	1,504	12,523	14,030	14,949
Commercial debtors		791	—	476	18,191	66	19,524	19,766
Finance leases	—	191	—	14	7,388	317	7,911	8,256
Reverse repurchase loans	1,192	—	2,788	23	—	—	4,004	4,013
Other term loans	4,174	18,440	4,004	5,413	110,204	134,505	276,739	286,127
Advances that are not loans	315	394	6,510	3,554	1,805	630	13,208	13,263
LOANS AND ADVANCES	**5,681**	**19,822**	**13,303**	**9,804**	**141,431**	**148,536**	**338,577**	**349,719**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*324*	*—*	*220*	*21,531*	*94,821*	*116,897*	*119,980*
Of which: other collateralized loans	*1,180*	*1,413*	*2,534*	*390*	*3,512*	*1,950*	*10,979*	*11,335*
By purpose of the loan								
Of which: credit for consumption						*42,294*	*42,294*	*45,236*
Of which: lending for house purchase						*95,209*	*95,209*	*96,612*
By subordination								
Of which: project finance loans					*8,863*		*8,863*	*9,423*

December 2020 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	7	—	502	1,798	528	2,835	3,021
Credit card debt	—	—	—	2	1,485	11,605	13,093	14,220
Commercial debtors		898	—	317	14,262	67	15,544	15,796
Finance leases	—	197	—	6	7,125	322	7,650	8,013
Reverse repurchase loans	472	—	1,914	—	71	—	2,457	2,463
Other term loans	5,690	18,111	3,972	5,799	111,141	132,603	277,317	287,467
Advances that are not loans	48	260	8,721	3,191	1,084	473	13,777	13,833
LOANS AND ADVANCES	**6,209**	**19,475**	**14,608**	**9,817**	**136,966**	**145,598**	**332,672**	**344,813**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*372*	*—*	*209*	*22,091*	*94,147*	*116,819*	*120,194*
Of which: other collateralized loans	*472*	*952*	*—*	*317*	*3,763*	*2,059*	*7,562*	*7,776*
By purpose of the loan								
Of which: credit for consumption						*39,799*	*39,799*	*43,037*
Of which: lending for house purchase						*94,098*	*94,098*	*95,751*
By subordination								
Of which: project finance loans					*10,721*		*10,721*	*11,032*

December 2019 (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	—	9	—	118	2,328	595	3,050	3,251
Credit card debt	—	10	1	3	1,940	14,401	16,355	17,608
Commercial debtors		971	—	230	15,976	99	17,276	17,617
Finance leases	—	227	—	6	8,091	387	8,711	9,095
Reverse repurchase loans	—	—	1,817	—	26	—	1,843	1,848
Other term loans	4,240	26,734	4,121	7,795	137,934	160,223	341,047	351,230
Advances that are not loans	35	865	7,743	3,056	951	506	13,156	13,214
LOANS AND ADVANCES	**4,275**	**28,816**	**13,682**	**11,208**	**167,246**	**176,211**	**401,438**	**413,863**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,067*	*15*	*261*	*23,575*	*111,085*	*136,003*	*139,317*
Of which: other collateralized loans	—	*10,447*	*93*	*2,106*	*29,009*	*6,893*	*48,548*	*49,266*
By purpose of the loan								
Of which: credit for consumption						*46,356*	*46,356*	*49,474*
Of which: lending for house purchase						*110,178*	*110,178*	*111,636*
By subordination								
Of which: project finance loans					*12,259*		*12,259*	*12,415*

7.2.3 Mitigation of credit risk, collateralized credit risk and other credit enhancements

In certain cases, maximum credit risk exposure is reduced by collateral, credit enhancements and other actions which mitigate the Group's exposure. The BBVA Group applies a credit risk hedging and mitigation policy deriving from a banking approach focused on relationship banking. The existence of guarantees could be a necessary but not sufficient instrument for accepting risks, as the assumption of risks by the Group requires prior evaluation of the debtor's capacity for repayment, or that the debtor can generate sufficient resources to allow the amortization of the risk incurred under the agreed terms.

The policy of accepting risks is therefore organized into three different levels in the BBVA Group:

- Analysis of the financial risk of the transaction, based on the debtor's capacity for repayment or generation of funds.
- The constitution of guarantees that are adequate, or at any rate generally accepted, for the risk assumed, in any of the generally accepted forms: monetary, secured, personal or hedge guarantees; and finally
- Assessment of the repayment risk (asset liquidity) of the guarantees received.

This is carried out through a prudent risk policy that consists of the analysis of the financial risk, based on the capacity for reimbursement or generation of resources of the borrower, the analysis of the guarantee, assessing, among others, the efficiency, the robustness and the risk, the adequacy of the guarantee with the operation and other aspects such as the location, currency, concentration or the existence of limitations. Additionally, the necessary tasks for the constitution of guarantees must be carried out - in any of the generally accepted forms (collaterals, personal guarantees and financial hedge instruments) - appropriate to the risk assumed.

The procedures for the management and valuation of collateral are set out in the corporate general policies (retail and wholesale), which establish the basic principles for credit risk management, including the management of collaterals assigned in transactions with customers. The criteria for the systematic, standardized and effective treatment of collateral in credit transaction procedures in BBVA Group's wholesale and retail banking are included in the Specific Collateral Rules.

The methods used to value the collateral are in line with the best market practices and imply the use of appraisal of real-estate collateral, the market price in market securities, the trading price of shares in mutual funds, etc. All the collaterals received must be correctly assigned and entered in the corresponding register. They must also have the approval of the Group's legal units.

The valuation of the collateral is taken into account in the calculation of the expected losses. The Group has developed internal models to estimate the realization value of the collaterals received, the time that elapses until then, the costs for their acquisition, maintenance and subsequent sale, from real observations based on its own experience. This modeling is part of the LGD estimation processes that are applied to the different segments, and is included within the annual review and validation procedures.

The following is a description of the main types of collateral for each financial instrument class:

- Debt instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument (mainly guarantees of the issuer).
- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees and collaterals, depending on counterparty solvency and the nature of the transaction (mainly collaterals).

The summary of the offsetting effect (via netting and collateral) for derivatives and securities operations as of December 31, 2021 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, 2021, 2020 and 2019, BBVA Group had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 7.2.2).

- Financial assets at amortized cost:

  a. Loans and advances to credit institutions: These usually have the counterparty's personal guarantee or pledged securities in the case of repos.

  b. Loans and advances to customers: Most of these loans and advances are backed by personal guarantees extended by the customer. There may also be collateral to secure loans and advances to customers (such as mortgages, cash collaterals, pledged securities and other collateral), or to obtain other credit enhancements (bonds or insurances).

  c. Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.

- Financial guarantees, other contingent risks and drawable by third parties: these have the counterparty's personal guarantee or other types of collaterals.

The disclosure of impaired loans and advances at amortized cost covered by collateral (see Note 7.2.6), by type of collateral, as of December 31, 2021, 2020 and 2019, 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 2021	14,657	2,875	1,068	5	33	886
December 2020	14,678	2,717	789	18	52	575
December 2019	15,959	3,396	939	35	221	542

The value of guarantees received as of December 31, 2021, 2020 and 2019, is the following:

Guarantees received (Millions of Euros)

	2021	2020	2019
Value of collateral	**117,362**	**116,900**	**152,454**
Of which: guarantees normal risks under special monitoring	*11,768*	*11,296*	*14,623*
Of which: guarantees non-performing risks	*3,981*	*3,577*	*4,590*
Value of other guarantees	**48,680**	**47,012**	**35,464**
Of which: guarantees normal risks under special monitoring	*7,404*	*4,045*	*3,306*
Of which: guarantees non-performing risks	*886*	*575*	*542*
Total value of guarantees received	**166,042**	**163,912**	**187,918**

The maximum credit risk exposure of impaired financial guarantees and other commitments at December 31, 2021, 2020 and 2019 amounts to €957, €1,032 and €1,001 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, do not assess transactions but focus on the rating of customers instead: companies, corporations, SMEs, general governments, etc. A rating tool is an instrument that, based on a detailed financial study, helps determine a customer's ability to meet his/her financial obligations. The final rating is usually a combination of various factors: on one hand, quantitative factors, and on the other hand, qualitative factors. It is a middle road between an individual analysis and a statistical analysis.

The main difference between ratings and scorings is that the latter are used to assess retail products, while ratings use a wholesale banking customer approach. Moreover, scorings only include objective variables, while ratings add qualitative information. And although both are based on statistical studies, adding a business view, rating tools give more weight to the business criterion compared to scoring tools.

For portfolios where the number of defaults is low (sovereign risk, corporates, financial entities, etc.) the internal information is supplemented by "benchmarking" of the external rating agencies (Moody's, Standard & Poor's and Fitch). To this end, each year the PDs compiled by the rating agencies at each level of risk rating are compared, and the measurements compiled by the various agencies are mapped against those of the BBVA master rating scale.

The probability of default of transactions or customers is calibrated with a long-term view, since its purpose is to measure the risk quality beyond its time of estimation, seeking to capture information representative of the behavior of the portfolios during a complete economic cycle (a long-term average probability of default). This probability is mapped to the master scale developed by the BBVA Group in order to facilitate a homogeneous classification of its different risk portfolios.

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2021:

Internal rating	**Probability of default (basis points)**		
Reduced List (22 groups)	**Average**	**Minimum from >=**	**Maximum**
AAA	1	—	2
AA+	2	2	3
AA	3	3	4
AA-	4	4	5
A+	5	5	6
A	8	6	9
A-	10	9	11
BBB+	14	11	17
BBB	20	17	24
BBB-	31	24	39
BB+	51	39	67
BB	88	67	116
BB-	150	116	194
B+	255	194	335
B	441	335	581
B-	785	581	1,061
CCC+	1,191	1,061	1,336
CCC	1,500	1,336	1,684
CCC-	1,890	1,684	2,121
CC+	2,381	2,121	2,673
CC	3,000	2,673	3,367
CC-	3,780	3,367	4,243

These different levels and their probability of default were calculated by using as a reference the rating scales and default rates provided by the external agencies Standard & Poor's and Moody's. These calculations establish the levels of probability of default for the BBVA Group's Master Rating Scale. Although this scale is common to the entire Group, the calibrations (mapping scores to PD sections/Master Rating Scale levels) are carried out at tool level for each country in which the Group has tools available.

The table below outlines the distribution by probability of default within 12 months and through the lifetime of the asset, and stages of the gross carrying amount of loans and advances to customers in percentage terms of the BBVA Group as of December 31, 2021, 2020 and 2019:

Probability of default (basis points)						
	2021		**2020**		**2019**	
	Subject to 12 month ECL (Stage 1)	**Subject to lifetime ECL (Stage 2)**	**Subject to 12 month ECL (Stage 1)**	**Subject to lifetime ECL (Stage 2)**	**Subject to 12 month ECL (Stage 1)**	**Subject to lifetime ECL (Stage 2)**
	%	**%**	**%**	**%**	**%**	**%**
0 to 2	5.8	—	4.0	—	5.5	—
2 to 5	15.7	0.1	10.2	0.1	6.3	—
5 to 11	15.2	0.2	7.7	0.1	14.6	0.2
11 to 39	18.7	0.6	26.8	0.5	24.5	0.8
39 to 194	19.1	2.5	24.0	2.3	24.5	1.6
194 to 1,061	12.2	3.8	15.1	3.4	14.0	3.6
1,061 to 2,121	1.9	1.5	1.5	1.2	1.4	1.2
> 2,121	0.8	1.9	0.6	2.5	0.4	1.5
Total	**89.4**	**10.6**	**89.9**	**10.1**	**91.0**	**9.0**

7.2.5 Impaired loan risks

The breakdown of loans and advances within financial assets at amortized cost, by impaired amount, accumulated impairment, gross carrying amount and by counterparties, as of December 31, 2021, 2020 and 2019 is as follows:

December 2021 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	**5,687**	**—**	**(6)**	**—%**
General governments	**19,719**	**62**	**(37)**	**0.3%**
Credit institutions	**13,295**	**—**	**(19)**	**—%**
Other financial corporations	**9,826**	**24**	**(23)**	**0.2%**
Non-financial corporations	**146,797**	**7,290**	**(5,804)**	**5.0%**
Agriculture, forestry and fishing	4,077	125	(154)	3.1 %
Mining and quarrying	4,889	222	(130)	4.5 %
Manufacturing	35,058	1,003	(867)	2.9 %
Electricity, gas, steam and air conditioning supply	13,718	570	(489)	4.2 %
Water supply	782	22	(21)	2.9 %
Construction	8,336	894	(619)	10.7 %
Wholesale and retail trade	25,856	1,311	(1,104)	5.1 %
Transport and storage	10,310	879	(400)	8.5 %
Accommodation and food service activities	7,693	470	(405)	6.1 %
Information and communications	6,533	117	(56)	1.8 %
Financial and insurance activities	6,216	197	(181)	3.2 %
Real estate activities	9,438	719	(466)	7.6 %
Professional, scientific and technical activities	3,910	185	(152)	4.7 %
Administrative and support service activities	3,046	181	(132)	5.9 %
Public administration and defense; compulsory social security	203	9	(11)	4.5 %
Education	582	43	(34)	7.4 %
Human health services and social work activities	1,888	48	(41)	2.5 %
Arts, entertainment and recreation	1,011	209	(95)	20.7 %
Other services	3,250	84	(447)	2.6 %
Households	**153,714**	**7,281**	**(5,253)**	**4.7%**
LOANS AND ADVANCES	**349,037**	**14,657**	**(11,142)**	**4.2%**

December 2020 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	**6,229**	**—**	**(20)**	**—%**
General governments	**19,439**	**76**	**(48)**	**0.4%**
Credit institutions	**14,591**	**6**	**(16)**	**—%**
Other financial corporations	**9,856**	**14**	**(39)**	**0.1%**
Non-financial corporations	**142,547**	**7,477**	**(6,123)**	**5.2%**
Agriculture, forestry and fishing	3,438	132	(108)	3.8%
Mining and quarrying	4,349	47	(59)	1.1%
Manufacturing	33,771	1,486	(1,129)	4.4%
Electricity, gas, steam and air conditioning supply	13,490	591	(509)	4.4%
Water supply	899	17	(15)	1.9%
Construction	10,019	1,397	(722)	13.9%
Wholesale and retail trade	24,594	1,456	(1,223)	5.9%
Transport and storage	8,117	489	(368)	6.0%
Accommodation and food service activities	8,337	358	(294)	4.3%
Information and communications	5,764	73	(60)	1.3%
Financial and insurance activities	5,298	123	(132)	2.3%
Real estate activities	10,025	617	(494)	6.2%
Professional, scientific and technical activities	2,886	177	(124)	6.1%
Administrative and support service activities	3,955	142	(192)	3.6%
Public administration and defense, compulsory social security	129	5	(4)	3.5%
Education	665	54	(43)	8.1%
Human health services and social work activities	1,812	67	(59)	3.7%
Arts, entertainment and recreation	1,131	46	(65)	4.1%
Other services	3,871	198	(523)	5.1%
Households	**151,410**	**7,106**	**(5,895)**	**4.7%**
LOANS AND ADVANCES	**344,072**	**14,678**	**(12,141)**	**4.3%**

December 2019 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	**4,285**	**—**	**(9)**	**—%**
General governments	**28,281**	**88**	**(60)**	**0.3%**
Credit institutions	**13,664**	**6**	**(15)**	**—%**
Other financial corporations	**11,239**	**17**	**(31)**	**0.2%**
Non-financial corporations	**173,254**	**8,467**	**(6,465)**	**4.9%**
Agriculture, forestry and fishing	3,758	154	(124)	4.1%
Mining and quarrying	4,669	100	(86)	2.1%
Manufacturing	39,517	1,711	(1,242)	4.3%
Electricity, gas, steam and air conditioning supply	12,305	684	(575)	5.6%
Water supply	900	14	(16)	1.6%
Construction	10,945	1,377	(876)	12.6%
Wholesale and retail trade	27,467	1,799	(1,448)	6.6%
Transport and storage	9,638	507	(392)	5.3%
Accommodation and food service activities	8,703	279	(203)	3.2%
Information and communications	6,316	95	(65)	1.5%
Financial and insurance activities	6,864	191	(140)	2.8%
Real estate activities	19,435	782	(527)	4.0%
Professional, scientific and technical activities	4,375	167	(140)	3.8%
Administrative and support service activities	3,415	118	(134)	3.4%
Public administration and defense, compulsory social security	282	5	(6)	1.7%
Education	903	41	(38)	4.5%
Human health services and social work activities	4,696	66	(55)	1.4%
Arts, entertainment and recreation	1,396	47	(39)	3.4%
Other services	7,671	331	(360)	4.3%
Households	**181,989**	**7,381**	**(5,847)**	**4.1%**
LOANS AND ADVANCES	**412,711**	**15,959**	**(12,427)**	**3.9%**

The changes during the years 2021, 2020 and 2019 of impaired financial assets and contingent risks are as follows:

Changes in impaired financial assets and guarantees given (Millions of Euros)	2021	2020	2019
Balance at the beginning	**15,478**	**16,770**	**17,134**
Additions	8,556	9,533	9,857
Decreases (*)	(4,555)	(5,024)	(5,874)
Net additions	**4,001**	**4,509**	**3,983**
Amounts written-off	(3,613)	(3,603)	(3,803)
Exchange differences and other	(399)	(968)	(544)
Discontinued operations	—	(1,230)	—
Balance at the end	**15,467**	**15,478**	**16,770**

(*) Reflects the total amount of impaired loans derecognized from the consolidated balance sheet throughout the year as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries.

The Group estimates that the update in the definition of credit impairment (default) (see Note 2.2.1) led to an increase of €1,262 million in impaired financial assets. Regarding expected credit losses, the impact of this change is not considered to be significant, since most of the affected operations were previously classified within stage 2 and, consequently, their credit risk coverage already corresponded to the expected credit losses throughout the expected lifetime of the operation.

For the year ended December 31, 2021, the impairment charges recognized under the heading “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification" amounted to €3,034 million (€5,179 million for the year ended December 31, 2020) (see Note 47).

During 2021, three factors have contributed to lower impairment charges compared to the previous year:

– a favorable demand recovery based on stimuli measures put in place by governments, savings during the pandemic and vaccination, as well as an upward revision in the forecasted GDP growth, which, although positive, has lost momentum by the end of the year due to short-term pressures. Such pressures are likely to be temporary and related to the supply chain and the rise in inflation rates,

– improved performance of the underlying business. In particular, limited additions to stage 3 have been supported by sound recoveries throughout the year,

– and, to a lower extent, lower management adjustments, aligned with the improvement of the macroeconomic scenario.

The changes during the years 2021, 2020 and 2019 in financial assets derecognized from the accompanying 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	2021	2020	2019
Balance at the beginning		**22,001**	**26,245**	**32,343**
Companies held for sale (*)		—	(4,646)	—
Increase		3,709	3,440	4,712
Decrease:		(3,605)	(2,715)	(11,039)
Re-financing or restructuring		*(1)*	*(7)*	*(2)*
Cash recovery	*47*	*(423)*	*(339)*	*(919)*
Foreclosed assets		*(17)*	*(479)*	*(617)*
Sales (**)		*(2,437)*	*(1,223)*	*(8,325)*
Debt forgiveness		*(599)*	*(607)*	*(493)*
Time-barred debt and other causes		*(129)*	*(60)*	*(682)*
Net exchange differences		(116)	(323)	230
Balance at the end		**21,990**	**22,001**	**26,245**

(*) The amount in 2020 includes the balance of the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

(**) 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 allowances for loan losses during 2021, 2020 and 2019 are recorded on the accompanying consolidated balance sheet as of December 31, 2021, 2020 and 2019, in order to cover the estimated loss allowances in loans and advances and debt securities measured at amortized cost.

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)
Changes in model / methodology	—	—	—	—
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
Changes in model / methodology	—	—	—	—
Foreign exchange	70	(270)	719	519
Modifications that do not result in derecognition	12	(79)	(122)	(189)
Other	297	106	298	701
Balance at the end	**(1,990)**	**(2,091)**	**(7,061)**	**(11,142)**

Changes in gross accounting balances of loans and advances at amortized cost. Year 2020 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**363,234**	**33,518**	**15,959**	**412,711**
Transfers of financial assets:	(11,935)	8,807	3,128	—
Transfers from stage 1 to Stage 2	*(15,843)*	*15,843*	*—*	*—*
Transfers from stage 2 to Stage 1	*5,107*	*(5,107)*	*—*	*—*
Transfers to Stage 3	*(1,701)*	*(2,659)*	*4,359*	*—*
Transfers from Stage 3	*502*	*729*	*(1,231)*	*—*
Net annual origination of financial assets	16,119	(827)	102	15,395
Becoming write-offs	(3)	(2)	(2,944)	(2,949)
Changes in model / methodology	—	—	—	—
Foreign exchange	(21,472)	(2,342)	(1,157)	(24,970)
Modifications that do not result in derecognition	(204)	827	511	1,134
Other	(283)	(190)	270	(204)
Discontinued operations	(46,664)	(9,190)	(1,192)	(57,045)
Balance at the end	**298,793**	**30,601**	**14,678**	**344,072**

Changes in allowances of loans and advances at amortized cost. Year 2020 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**(2,149)**	**(2,183)**	**(8,094)**	**(12,427)**
Transfers of financial assets:	184	(511)	(1,806)	(2,133)
Transfers from stage 1 to stage 2	*156*	*(923)*	*—*	*(766)*
Transfers from stage 2 to stage 1	*(50)*	*253*	*—*	*202*
Transfers to stage 3	*81*	*218*	*(1,950)*	*(1,652)*
Transfers from stage 3	*(3)*	*(59)*	*144*	*83*
Net annual origination of allowances	(872)	(795)	(1,329)	(2,996)
Becoming write-offs	—	—	2,567	2,568
Changes in model / methodology	—	—	—	—
Foreign exchange	227	256	721	1,204
Modifications that do not result in derecognition	12	(118)	(177)	(283)
Other	160	618	25	803
Discontinued operations	401	444	278	1,123
Balance at the end	**(2,037)**	**(2,289)**	**(7,815)**	**(12,141)**

Changes in gross accounting balances of loans and advances at amortized cost. Year 2019 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**352,282**	**30,707**	**16,359**	**399,347**
Transfers of financial assets:	(9,021)	6,279	2,741	—
Transfers from stage 1 to stage 2	*(13,546)*	*13,546*	*—*	*—*
Transfers from stage 2 to stage 1	*5,656*	*(5,656)*	*—*	*—*
Transfers to stage 3	*(1,571)*	*(2,698)*	*4,269*	*—*
Transfers from stage 3	*440*	*1,087*	*(1,527)*	*—*
Net annual origination of financial assets	20,296	(2,739)	246	17,804
Becoming write-offs	(152)	(349)	(3,407)	(3,908)
Changes in model / methodology	—	—	—	—
Foreign exchange	1,611	35	16	1,662
Modifications that do not result in derecognition	(1)	(27)	15	(13)
Other	(1,782)	(388)	(11)	(2,180)
Balance at the end	**363,234**	**33,518**	**15,959**	**412,711**

Changes in allowances of loans and advances at amortized cost. Year 2019 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**(2,082)**	**(2,375)**	**(7,761)**	**(12,217)**
Transfers of financial assets:	176	(227)	(1,574)	(1,626)
Transfers from stage 1 to stage 2	*126*	*(649)*	*—*	*(523)*
Transfers from stage 2 to stage 1	*(38)*	*273*	*—*	*235*
Transfers to stage 3	*89*	*234*	*(1,810)*	*(1,487)*
Transfers from stage 3	*(1)*	*(86)*	*236*	*149*
Net annual origination of allowances	(542)	(116)	(1,711)	(2,370)
Becoming write-offs	130	337	2,789	3,256
Changes in model / methodology	—	—	—	—
Foreign exchange	(30)	(18)	69	20
Modifications that do not result in derecognition	(15)	(149)	(89)	(254)
Other	215	366	183	764
Balance at the end	**(2,149)**	**(2,183)**	**(8,094)**	**(12,427)**

7.2.7 Refinancing and restructuring transactions

Group policies and principles with respect to refinancing and restructuring transactions

Refinancing and restructuring transactions (see definition in the Glossary) are carried out with customers who have requested such a transaction in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring transaction is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.

- With the aim of increasing the solvency of the transaction, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.

- This analysis is carried out from the overall customer or group perspective.

- Refinancing and restructuring transactions do not in general increase the amount of the customer's loan, except for the expense inherent to the transaction itself.

- The capacity to refinance and restructure a loan is not delegated to the branches, but decided on by the risk units.

- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group’s policy on refinancing and restructuring a loan is to avoid default arising from a customer’s temporary liquidity problems by implementing structural solutions that do not increase the balance of the customer’s loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of transactions based on the customer’s willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the transaction in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.

- Refinancing and restructuring of transactions is only allowed on those loans in which the BBVA Group originally entered into.

- Customers subject to refinancing and restructuring transactions are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).

- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.

- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group’s policy, the conclusion of a loan refinancing and restructuring transaction does not mean the loan is reclassified from "impaired" or "significant increase in credit risk" to normal risk. The reclassification to "significant increase in credit risk" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as unlikely to pay when there are significant doubts that the terms of their refinancing may not be met; or

- "Significant increase in credit risk" until the conditions established for their consideration as normal risk are met.

The assets classified as "Impaired assets" should comply with the following conditions in order to be reclassified to "Significant increase in credit risk":

- The customer has to have paid a significant part of the pending exposure.

- At least one year must have elapsed since its classification as "Impaired asset".

- 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 and regular payments must have been made during at least half of this probation period; and

- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The economic impact caused by the COVID-19 pandemic has required the adaptation of the repayment schedule of a large volume of loans in all geographies and portfolios. In general, this support has been conducted through the granting of deferrals that comply with the principles established by the EBA, which has allowed for the application of a differential accounting and prudential treatment.

Renewals and renegotiations will be classified as normal risk, provided that there is no significant increase in risk. This classification is applicable at the initial moment, and in the event of any deterioration, the criteria established in the existing governance are followed. In this sense, the aforementioned conditions are considered, including, among others, no facility with more than 30 days delinquency and not being identified as 'unlikely to pay'.

The BBVA Group’s refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

In any case, a restructuring will be considered impaired when the reduction in the present net value of the financial obligation is greater than 1% in line with the new management criteria introduced during 2021.

For quantitative information on refinancing and restructuring transactions see Appendix XI.

7.2.8 Risk concentration

Policies for preventing excessive risk concentration

In order to prevent the build-up of excessive risk concentrations at the individual, sector, portfolio and geography levels, BBVA Group maintains updated maximum permitted risk concentration indices which are tied to the various observable variables related to concentration risk.

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

The limit on the Group’s exposure or financial commitment to a specific customer therefore depends on the customer’s credit rating, the nature of the risks involved, and the Group’s presence in a given market, based on the following guidelines:

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.
- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the shareholder´s entity that assumes them), the markets, the macroeconomic situation, etc.
- The aim is to seek inter and intra-sector diversification in coherence with the metrics defined in the RAF for the Group and for the banking group's subsidiaries.

Risk concentrations by geography

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix XII.

Sovereign risk concentration

Sovereign risk management

The identification, measurement, control and monitoring of risk associated with sovereign risk transactions is carried out by a centralized unit within the BBVA Group's Risk Area. Its basic functions are preparing reports (called financial programs) on the countries with which it maintains cross-border risks (i.e. risks taken in a foreign currency from outside the country with borrowers in the country, whether public or private) and sovereign risks (i.e. risks with the local Sovereign of the country where the risk-taking unit is located), monitoring those risks, establishing risk limits, assigning ratings to the countries analyzed and, in general, supporting the Group in any information request regarding this type of transaction. The risk policies established in the financial programs are approved by the relevant risk committees.

The country risk unit tracks the evolution of the risks associated with the various countries to which the Group are exposed (including sovereign risk) on an ongoing basis in order to adapt its risk and mitigation policies to any macroeconomic and political changes that may occur. Moreover, it regularly updates its internal ratings and forecasts for these countries. The methodology is based on the assessment of quantitative and qualitative parameters which are in line with those used by certain multilateral organizations (the International Monetary Fund (IMF), the World Bank, etc.) rating agencies and export credit organizations.

For additional information on sovereign risk in Europe see Appendix XII.

Risk related to the developer and Real-Estate sector in Spain

The sale of impaired assets concluded in 2018. Currently, there is no risk concentration in the developer and real estate sector, taking into account that its weight in total wholesale risks in Spain is approximately 10%, while compared with the total risks in the portfolio (wholesale and retail), the Real Estate risk assumed would be around 3%.

Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA Group has teams specializing in the management of the Real Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in risk teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department of the BBVA Group (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio.

The policies established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio within a sector is highly cyclical.

Specific policies for analysis and granting of new developer risk transactions

In the analysis of new transactions, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant. The monitoring of the work, sales prospects and the legal situation of the project are essential aspects for the admission and follow-up of new real estate transactions. With regard the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Valuation, Legal, Research and Recoveries. This guarantees coordination and exchange of information in all the processes.

In this context, and within the current Real Estate cycle, the strategy with clients is subject to an Asset Allocation limit and to an action framework that allows defining a target portfolio, both in volume and in credit quality.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. There is a systematic monitoring of developments under close monitoring with the evolution of works and sales.

Policies applied in the management of real estate assets in Spain

The internal Rules on Real Estate Financing, which establish recommendations for financing a new housing development business, are reviewed and updated annually.

The recommendations represent guidelines about how to manage the credit admission activity of BBVA Group entities based on best practices of markets in which this activity is performed. It is expected that a high percentage of the current transactions will be in compliance with the latter.

For quantitative information about the risk related to the developer and Real-Estate sector in Spain see Appendix XII.

7.3 Structural risk

The structural risks are defined, in general terms, as the possibility of suffering losses due to adverse movements in market risk factors as a result of mismatches in the financial structure of an entity´s balance sheet.

In the Group, the following types of structural risks are defined, according to the nature and the following market factors: interest rate risk, credit spread risk, exchange rate risk and equity risk.

The scope of structural risks in the Group is limited to the banking book, excluding market risks in the trading book that are clearly delimited and separated and make up the Market Risks.

The Assets and Liabilities Committee (ALCO) is the main responsible body for the management of structural risks regarding liquidity/ funding, interest rate, credit spread, currency, equity and solvency. Every month, with the participation of the CEO and representatives from the areas of Finance, Risks and Business Areas; this committee monitors the structural risks and is presented with proposals with regard to action plans related with its management for its approval. These management proposals are made by the Finance area with a forward-looking focus, maintaining the alignment with the risk appetite framework, trying to guarantee the recurrence of results and financial stability, as well as to preserve the solvency of the entity. All balance sheet management units have a local ALCO, which is permanently attended by members of the corporate center, and there is a corporate ALCO where management strategies are monitored and presented in the Group's subsidiaries.

The GRM area acts as an independent unit, ensuring adequate separation between the management and risk control functions, and is responsible for ensuring that the structural risks in the Group are managed according to the strategy approved by the Board of Directors.

Consequently, GRM deals with the identification, measurement, monitoring and control of those risks and their reporting to the corresponding corporate bodies. Through the Global Risk Management Committee (GRMC), it performs the function of control and risk assessment and is responsible for developing the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure and manage the significant risks that the BBVA Group faces. To this end, GRM, through the corporate unit of Structural Risks, proposes a scheme of limits that defines the risk appetite set for each of the relevant structural risk types, both at Group level and by management units, which will be reviewed annually, reporting the situation periodically to the Group's corporate bodies as well as to the GRMC.

Additionally, both the management system and the control and measurement system for structural risks are necessarily adjusted to the Group's internal control model, complying with the evaluation and certification processes that comprise it. In this sense, the tasks and controls necessary for its scope of action have been identified and documented, supporting a regulatory framework which includes specific processes and measures for structural risks, from abroad 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 Structural interest rate risk and credit spread

The structural interest-rate risk (IRRBB) is related to the potential impact that variations in market interest rates have on an entity's net interest income and equity. In order to properly measure IRRBB, BBVA Group takes into account all the main sources of this risk: repricing risk, yield curve risk, option risk and basis risk.

The assessment of structural interest rate risk is carried out with an integral vision, combining two complementary points of view: the effects of interest rate shifts in net interest income (short term) and their impact on the economic value of equity (long term). In addition, the impact on the market value of the financial instruments of the banking book, as a result of changes in the market interest rates (IRRBB) or the credit spreads (CSRBB), will be assessed as it may have an impact on the income statement and/or equity due to their accounting treatment.

The exposure of a financial entity to adverse interest rates movements is a risk inherent to the development of the banking business, which is also, in turn, an opportunity to create economic value. Therefore, interest rate risk must be effectively managed so that it is limited in accordance with the entity’s equity and in line with the expected economic result.

In BBVA, the purpose of structural interest rate risk management is to maintain the stability of the net interest income in the event of interest rate fluctuations. It contributes to a recurrent generation of earnings, limit the capital consumption due to structural interest rate risk and monitor potential mark-to-market impacts on “held to collect and sell” (HtC&S) portfolios. Likewise, the spread risk management in banking book portfolios is aimed at limiting the impact on the valuation of fixed income instruments, which are used for balance sheet liquidity and interest rate risk management purposes in order to increase diversification, and at reducing the concentration of each issuer, maintaining the spread risk at levels aligned with the total volume of the investment portfolio and the equity of the Group.

These functions falls to the Global ALM (Asset & Liability Management) unit, within the Finance area, who, through ALCO, aims to guarantee the recurrence of results and preserve the solvency of the entity, always adhering to the risk profile defined by the management bodies of the BBVA Group.

Structural interest rate risk management is decentralized, and is carried out independently in each entity included in the structural balance sheet (banking book) of the BBVA Group, keeping the exposure to interest rates and credit spreads movements aligned with the strategy and the target risk profile of the Group, and in compliance with the regulatory requirements according to the EBA guidelines.

Nature of interest rate risk and credit spread risk

Repricing risk arises due to the difference between the repricing or maturity terms of the assets and liabilities, and represents the most frequent interest rate risk faced by financial entities. However, other sources of risk such as changes in the slope and shape of the yield curve, the reference to different indexes and the optionality risk embedded in certain banking transactions, are also taken into account by the risk control system.

Furthermore, the credit spread risk (CSRBB) of fixed-income portfolios in the banking book arises from the potential impact on the value of fixed-income portfolios and credit derivatives classified as HtC&S produced by a variation in the level of credit spreads associated with those instruments/issuers and that are not explained by default risk or by movements in market interest rates.

BBVA's structural interest-rate risk management and control process includes a set of metrics and tools that enable the capture of additional sources to properly monitor the risk profile of the Group, backed-up by assumptions that aim to characterize the behavior of the balance sheet items with the maximum accuracy.

The IRRBB and CSRBB measurement is carried out on a monthly basis, and includes probabilistic measures based on simulation methods of interest rate curves and credit spread shocks. The corporate methodology enables to capture additional sources of risk to the interest rate parallel shifts, such as the changes in slope shape and the basis of yield curves. Additionally, sensitivity analysis to multiple parallel shocks of different magnitude are also assessed on a regular basis. The process is run separately for each currency to which the Group is exposed, considering, at a later stage, the diversification effect among currencies and business units.

The risk measurement model is complemented by the assessment of ad-hoc scenarios, stress tests and reverse stress. As stress testing has become more relevant during the recent years, the evaluation of market rates and behavioral assumptions extreme scenarios has continued to be enhanced, while assessing, also, BBVA Research market scenarios, and the set of scenarios defined according to EBA guidelines.

During 2021, the continuous improvement of internal systems and IRRBB management and control models has continued according to the EBA guidelines. Among others, the developments to improve the data provisioning and the risk management tools are highlighted, as well as the enhancement of the stress testing and models backtesting procedures.

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.

The relationship of the evolution of the balance of deposits with the levels of market interest rates is incorporated, where appropriate, in the behavioral modelling, especially in low interest rates environments, including its effect on the stability of the deposits as well as the potential migration between the different types of deposits (on demand / time deposits) in the different interest rate scenarios.

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 fixed income portfolio in the banking book classified as HtC&S in terms of sensitivities of the main currencies for the BBVA Group in 2021:

Sensitivity to interest-rate and credit spread analysis. Year 2021

	interest rate risk and				credit spread
	Impact on net interest income (*)		Impact on economic value (**)		Impact on economic value (**)
	100 basis-point increase	100 basis-point decrease (***)	100 basis-point increase	100 basis-point decrease (***)	100 basis-point increase
EUR	[3.5% , 5.5%]	[-3.5% , -1.5%]	[3.5% , 5.5%]	[-3.5% , -1.5%]	[-3.5% , -1.5%]
MXN	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-1.5% , -0.5%]	[0.5% , 1.5%]	[-0.5% , 0.5%]
USD	[0.5% , 1.5%]	[-1.5% , -0.5%]	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-0.5% , 0.5%]
TRY	[-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	**[7.5% , 10.0%]**	**[-5.5% , -3.5%]**	**[3.5% , 5.5%]**	**[-3.5% , -1.5%]**	**[-3.5% , -1.5%]**

(*) Percentage of "12 months" net interest income for the BBVA Group.

(**) Percentage of CET1 (Fully Loaded) for BBVA Group

(***) In EUR and USD (and GBP included in "Other"), negative interest rates scenarios are allowed up to plausible levels lower than current rates.

During 2021, central banks began withdrawing the expansionary policies implemented during the year 2020, to mitigate the economic impact caused by the COVID-19 pandemic, with the aim of reducing the inflationary pressures that are occurring in most countries of the world. In Europe, the end of the PEPP (Pandemic Emergency Purchase Programme) was announced for the month of March 2022.

In Turkey, although it initially showed an upward trend in interest rates, there have been significant drops since September, ending the year 300 basis points below the level of December 2020.

Regarding Mexico, the Central Bank implemented the last rate cut in February, placing it at a level of 4%. Starting in June, there was a change in trend, initiating an upward cycle in rates, reaching a level of 5.50% in December. The objective of the Central Bank is to moderate the rise in inflation and bring it back within its target range.

In South America, the monetary policy was restrictive, with increases in the policy rates in Colombia and Peru, affected by higher levels of inflation, reaching above the central banks targets. Regarding Argentina it has had a stable monetary policy without changes during the year.

The BBVA Group, at an aggregate level, continues to maintain a moderate risk profile, in accordance with the established objective, showing a favorable position to a rise in interest rates on net interest income. Effective management of the balance sheet structural risk has mitigated the negative impact of the low interest rates derived from the expansive monetary policies implemented by the different central banks to offset the negative economic effects derived from the COVID-19 pandemic, and is reflected in the strength and recurrence of the net interest income:

– In Europe, the downward trend in interest rates remains limited by current levels, preventing extremely adverse scenarios from occurring. The balance sheet is characterized by a high proportion of variable-rate loans (basically mortgages and corporate lending) and liabilities are composed mainly of customer on demand deposits. The ALCO portfolio acts as a management lever and hedging for the balance sheet, mitigating its sensitivity to interest rate fluctuations. The balance sheet´s interest rate profile has remained stable during the year, showing an interest net income sensitivity to 100 basis points increases by the interest rates slightly above 20%.

  On the other hand, the ECB held the marginal deposit facility rate unchanged at -0.50% in 2021 and maintained the extraordinary support programs created after the outbreak of the COVID-19 crisis. This has created stability in European benchmark interest rates (EURIBOR).

– In Mexico, a balance has been maintained between balances referenced to fixed and variable interest rates. Among the assets most sensitive to interest rate movements, the wholesale portfolio stands out, while consumer and mortgages are mostly at a fixed rate. The ALCO portfolio is mainly invested in fixed-rate sovereign bonds with limited durations. The sensitivity of the net interest income continues to be limited, stable, and slightly biased towards higher interest rates, which have increased during 2021 by 125 basis points.

– In Turkey, the sensitivity of loans, mostly fixed-rate but with relatively short maturities, and the ALCO portfolio balance the sensitivity of deposits on the liability side. In this way, the interest rate risk is limited, both in Turkish lira and in foreign currency.

- In South America, the risk profile on interest rates continues to be low, as most of the countries in the area have a composition of fixed / variable and very similar maturities between assets and liabilities, showing a sensitivity of the margin interest rate limited and with slight variations throughout 2021. Likewise, in countries with balances in several currencies, interest rate risk is also managed for each of the currencies, showing a very low level of risk. The more restrictive measures promoted by the central banks during 2021 are expected to have a slightly positive impact, given the sensitivity maintained by the different banks in the region.

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 U.S. dollar accumulated an appreciation of 8.3% against the euro in 2021, thus reversing much of the movement in favor of the euro in 2020 after the outbreak of the pandemic. Among the emerging currencies, the sharp depreciation of the Turkish lira in 2021 (-40.2%) stood out, severely penalized by rate cuts in the recent months. The positive side came from the good performance of the Mexican peso, which has appreciated by 5.5% against the euro since the end of 2020. With regard to the South American currencies, the Peruvian Sol finally closed the year with a slight depreciation against Euro (-1.3%) while the Chilean peso (-8.8%) and the Colombian peso (-6.6%) showed a greater depreciation. The Argentine peso depreciated (-11.3%) but in a more contained manner than in previous years.

BBVA maintains its active management policies of the main investments in emerging countries, which are set, on average, between 30% and 50% of the annual profits and around 70% of the excess of the CET1 capital ratio. The sale of BBVA USA in June modified the sensitivity against movements in the exchange rates of the ratio CET1 fully-loaded of the Group. USD sensitivity has been the most affected by this change, reaching +18 basis points in case of a depreciation of -10% in the currency. At the end of December 2021, the sensitivity is estimated as -7 bps for the Mexican Peso and -1 bps for the Turkish lira, both against a depreciation of -10%. Regarding the hedging of the expected profits for 2022, it stands at around 65% in the case of Mexico, 20% for Turkey and 100% for Peru and Colombia.

For the years 2021, 2020 and 2019, the estimated sensitivities of the result attributable to the parent company are shown below, taking into account the coverage, against depreciations and appreciations of 1% of the average rate in the main currencies. To the extent that hedging positions are periodically modulated, the sensitivity estimate attempts to reflect an average (or effective) sensitivity in the year:

Sensitivity to 1% change (Millions of Euros)

Currency	2021	2020	2019
Mexican peso	14.0	4.9	12.7
Turkish lira	4.7	4.5	3.1
Peruvian sol	0.3	0.4	1.9
Chilean peso	0.6	0.3	0.5
Colombian peso	1.1	1.4	2.6
Argentine peso	0.6	0.9	1.3

7.3.3 Structural equity risk

Structural equity risk 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 structural equity portfolios is a responsibility of the corporate units of Global ALM and other Group's units specialized in this area. Their activity is subject to the risk management corporate policy on structural equity risk management, 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 US have rallied significantly in 2021. The excellent performance of listed companies' corporate earnings and the continuity of central banks' accommodative policies have been behind these revaluations. However, the Spanish stock market has once again lagged behind the rest of the European stock markets.

Structural equity risk, measured in terms of economic capital, has raised during the last year due to the higher exposure taken. The aggregate sensitivity of the BBVA Group’s consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio increased to -€27 million as of December 31, 2021, compared to -€20 million as of December 31, 2020. 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.

7.4 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, 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 ("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. The market risk analysis considers various risks, such as credit spread risk, basis risk, as well as volatility and 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 77%, 72% and 72% of the Group's trading-book market risk as of December 31, 2021, 2020 and 2019. 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 VaR, economic capital (based on VaR measurements) and VaR sub-limits, 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.

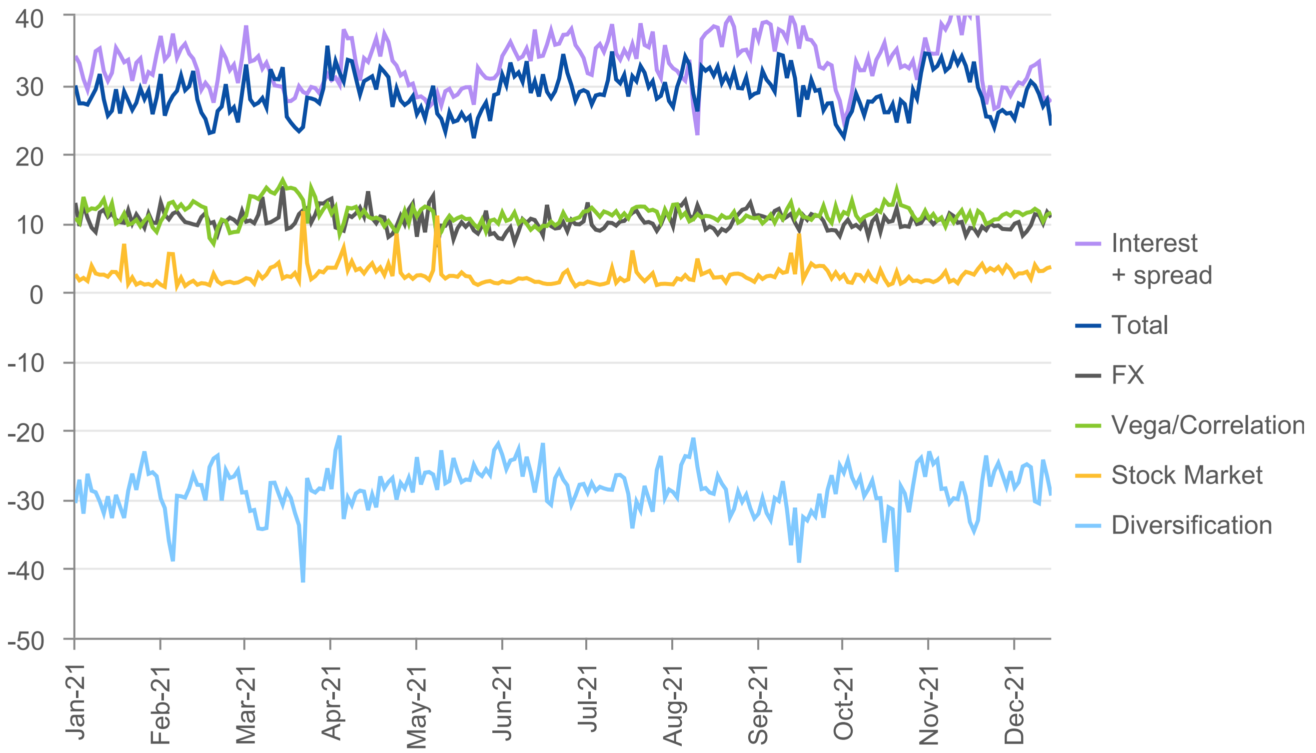
- Specific Risk - Incremental Risk Capital ("IRC"). Quantification of the risks of default and changes of the credit ratings of the bond and derivative positions and debt funds with daily look-through or significant benchmark (correlation > 90%) in the trading portfolio. The IRC charge is exclusively 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 2021

The Group's market risk related to its trading portfolio remained in 2021 at low levels compared to other risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2021 the average VaR was €29 million, above the figure of 2020, with a maximum level in the year reached on the day April 7, 2021 of €36 million. The evolution in the BBVA Group's market risk during 2021, 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 57% of the total at December 31, 2021 (this figure includes the spread risk). The relative weight of this risk has slightly increased compared with the close of 2020 (56%). Exchange-rate risk accounted for 16% of the total risk, decreasing its weight with respect to December 2020 (22%), while equity, volatility and correlation risk has increased, with a weight of 28% at the close of 2021 (vs. 22% at the close of 2020).

As of December 31, 2021, 2020 and 2019 the VaR was €31 million, €28 million and €20 million, respectively. The total VaR figures for 2021, 2020 and 2019 can be broken down as follows:

VaR by Risk Factor (Millions of Euros)

	Interest/Spread risk	Currency risk	Stock-market risk	Vega/Correlation risk	Diversification effect(*)	Total
2021						
VaR average in the year	33	10	2	11	(28)	29
VaR max in the year	32	13	4	1	(14)	36
VaR min in the year	27	9	1	10	(25)	22
End of period VaR	**34**	**9**	**5**	**11**	**(29)**	**31**
2020						
VaR average in the year	29	12	4	11	(28)	27
VaR max in the year	39	20	10	20	(14)	39
VaR min in the year	20	3	1	6	(39)	18
End of period VaR	**32**	**12**	**2**	**11**	**(29)**	**28**
2019						
VaR average in the year	21	6	4	9	(20)	19
VaR max in the year	28	6	3	9	(21)	25
VaR min in the year	13	5	5	9	(18)	14
End of period VaR	**24**	**5**	**5**	**8**	**(22)**	**20**

(*) The diversification effect is the difference between the sum of the average individual risk factors and the total VaR figure that includes the implied correlation between all the variables and scenarios used in the measurement.

Validation of the internal market risk model

The internal market risk model is validated on a regular basis by backtesting in both, BBVA, S.A. and Global Markets Mexico (in BBVA Mexico). The aim of backtesting is to validate the quality and precision of the internal market risk model used by BBVA Group to estimate the maximum daily loss of a portfolio, at a 99% level of confidence and a 250-day time horizon, by comparing the Group's results and the risk measurements generated by the internal market risk model. These tests showed that the internal market risk model of both, BBVA, S.A. and Global Markets Mexico is adequate and precise.

Two types of backtesting have been carried out in 2021, 2020 and 2019:

- "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, 2020 and the year ended December 31, 2021, 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 one negative exception in BBVA S.A. In BBVA Mexico, there was also a negative exception.

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

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, 2021 is as follows:

Impact of the stress test (Millions of Euros)	Europe	Mexico	Peru	Venezuela	Argentina	Colombia	Turkey
Expected shortfall	(76)	(75)	(11)	—	(5)	(5)	(8)

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-Paragraph 42, so they have both the legal right to net recognized amounts, and the intention of settling the net amount or of realizing the asset and simultaneously paying the liability.

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") 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, 2021, 2020 and 2019:

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 2021							
Trading and hedging derivatives	10, 15	36,349	3,611	32,737	22,524	8,758	1,456
Reverse repurchase, securities borrowing and similar agreements		54,296	—	54,296	55,010	2,213	(2,927)
Total assets		**90,645**	**3,611**	**87,034**	**77,534**	**10,971**	**(1,471)**
Trading and hedging derivatives	10, 15	37,916	3,584	34,331	22,524	10,119	1,688
Repurchase, securities lending and similar agreements		54,159	—	54,159	58,174	679	(4,694)
Total liabilities		**92,074**	**3,584**	**88,490**	**80,698**	**10,798**	**(3,006)**
December 2020							
Trading and hedging derivatives	10, 15	47,862	5,688	42,173	33,842	9,018	(686)
Reverse repurchase, securities borrowing and similar agreements		32,121	—	32,121	32,762	161	(802)
Total assets		**79,983**	**5,688**	**74,294**	**66,604**	**9,178**	**(1,488)**
Trading and hedging derivatives	10, 15	49,720	5,722	43,998	33,842	9,435	721
Repurchase, securities lending and similar agreements		41,571	—	41,571	42,298	1,619	(2,346)
Total liabilities		**91,291**	**5,722**	**85,569**	**76,140**	**11,054**	**(1,624)**
December 2019							
Trading and hedging derivatives	10, 15	36,349	2,388	33,961	25,020	8,210	731
Reverse repurchase, securities borrowing and similar agreements		33,539	21	33,518	33,352	204	(39)
Total assets		**69,888**	**2,409**	**67,479**	**58,372**	**8,415**	**692**
Trading and hedging derivatives	10, 15	38,693	2,394	36,299	25,020	10,613	667
Repurchase, securities lending and similar agreements		43,712	21	43,691	42,974	420	297
Total liabilities		**82,404**	**2,414**	**79,990**	**67,993**	**11,033**	**964**

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 LMUs composed of the parent company and the bank subsidiaries in each geography, 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 financing risk appetite that it decides to assume in its business.

Liquidity and funding planning is part of the strategic processes for the Group's budgetary and business planning. This objective is to allow a recurrent growth of the banking business with suitable maturities and costs within the established risk tolerance levels by using a wide range of instruments which allow the diversification of the funding sources and the maintenance of a high volume of available liquid assets.

7.5.2 Governance and monitoring

The responsibility for liquidity and funding management in the development of normal business activity lies with the Finance area as a first line of defense in managing the risks inherent to this activity, in accordance with the principles established by the European Banking Authority (EBA) and in line with the most demanding standards, policies, procedures and controls in the framework established by the governing bodies. Finance, through the Balance-Sheet Management area, plans and executes the funding of the structural long-term gap of each LMU and proposes to the Assets and Liabilities Committee (ALCO) the actions to be taken on this matter, in accordance with the policies established by the Risk Committee in line with the metrics of the Risk Appetite Framework approved by the Board of Directors.

Finance is also responsible for preparing the regulatory reporting of liquidity, coordinating with the responsible areas in each LGU the necessary processes to cover the requirements at corporate and regulatory level, ensuring the integrity of the information provided.

GRM is responsible for ensuring that the liquidity and financing risk in the Group is managed in accordance with the framework established by governing bodies. It also deals with the identification, measurement, monitoring and control of such risks and their communication to the relevant corporate bodies. In order to carry out this task properly, the risk function in the Group has been configured as a single, global function, independent of the management areas.

Additionally, the Group has, in its second line of defense, an Internal Risk Control unit, which performs an independent review of the control of Liquidity and Funding Risk, and a Financial Internal Control Unit that reviews the design and effectiveness of the controls operations on liquidity management and reporting.

As the third line of defense of the Group's internal control model, Internal Audit is in charge of reviewing specific controls and processes in accordance with a work plan that is drawn up annually.

The Group's fundamental objectives regarding the liquidity and funding risk are determined through the Liquidity Coverage Ratio (LCR) and through the Loan-to-Stable Customer Deposits (LtSCD) ratio.

The LCR ratio is a regulatory metric that aims to guarantee the resilience of entities in a scenario of liquidity tension within a time horizon of 30 days. Within its risk appetite framework and system of limits and alerts, BBVA has established a required LCR compliance level for the entire Group and for each individual LMU. The internal levels required are aimed at efficiently meeting the regulatory requirement, at a loose level above 100%.

The LtSCD ratio measures the relationship between net lending and stable customer funds. The aim is to preserve a stable funding structure in the medium term for each of the LMU which make up the BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile. In geographical areas with dual-currency balances, the indicator is also controlled by currency to manage the mismatches that might occur.

Stable customer funds are considered to be the financing obtained and managed from the LMU among their target customers. Those funds are characterized by their low sensitivity to market changes and by their less volatile behavior at aggregated level per operation due to the loyalty of the customer to the entity. The stable resources are calculated by applying to each identified customer segment a haircut determined by the analysis of the stability if the balances by which different aspects are evaluated (concentration, stability, level of loyalty). The main source of stable resources arises from wholesale funding and retail customer funds.

In order to establish the target (maximum) levels of LtSCD in each LMU and provide an optimal funding structure reference in terms of risk appetite, the corporate Structural Risks unit of GRM identifies and assesses the economic and financial variables that condition the funding structures in the different geographical areas.

Additionally, liquidity and funding risk management aims to achieve a proper diversification of the funding structure, avoiding excessive dependence on short-term funding by establishing a maximum level for the short-term funds raised, including both wholesale financing and the least stable proportion of customer funds In relation to long-term financing, the maturity profile does not present significant concentrations, which makes it possible to adapt the schedule of the planned issuance plan to the best financial conditions in the markets. Lastly, concentration risk is monitored at LMU level, with the aim of ensuring a correct diversification of both the counterparty and type of instrument.

One of the fundamental metrics within the general management framework of the liquidity and funding risk is the maintenance of a liquidity buffer consisting of high quality assets free of charges which can be sold or offered as collateral to obtain funding, either under normal market conditions or in stress situations.

The Finance area is responsible for the collateral management and determining the liquidity buffer within the BBVA Group. According to the principle of auto-sufficiency of the Group's subsidiaries, each LMU is responsible for maintaining a buffer of liquid assets which complies with the regulatory requirements applicable under each jurisdiction. In addition, the liquidity buffer of each LMU must be aligned with the liquidity and funding risk tolerance as well as the management limits set and approved for each case.

In this context, the short-term resistance of the liquidity risk profile is promoted, ensuring that each LMU has sufficient collateral to deal with the risk of the closing of wholesale markets. Basic capacity is the internal metric for the management and control of short-term liquidity risk, which is defined as the relationship between the explicit assets available and the maturities of wholesale liabilities and volatile resources, at different time periods up to one year, with special relevance at 30 and 90 days, with the objective of preserving the survival period above 3 months with the available buffer, without considering the balance inflows.

As a fundamental element of the liquidity and financing risk monitoring scheme, stress tests are carried out. They enable to anticipate deviations from the liquidity targets and the limits set in the appetite, and to establish tolerance ranges in the different management areas. They also play a major role in the design of the Liquidity Contingency Plan and the definition of specific measures to be adopted to rectify the risk profile if necessary.

For each scenario, it is checked whether BBVA has a sufficient stock of liquid assets to guarantee its capacity to meet the liquidity commitments/outflows in the different periods analyzed. The analysis considers four scenarios: one central and three crisis-related (systemic crisis; unexpected internal crisis with a considerable rating downgrade and/or affecting the ability to issue in wholesale markets and the perception of business risk by the banking intermediaries and the entity's clients; and a mixed scenario, as a combination of the two aforementioned scenarios). Each scenario considers the following factors: existing market liquidity, customer behavior and sources of funding, the impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and the development of BBVA's credit quality.

The stress tests conducted on a regular basis by GRM reveal that BBVA maintains a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario resulting from the combination of a systemic crisis and an unexpected internal crisis, during a period of longer than 3 months in general for the different LMU (including Turkey closing the year above 6 months), including in the scenario of a significant downgrade of the Bank's rating by up to three notches.

Together with the results of the stress tests and the risk metrics, the early warning indicators play an important role within the corporate model and the Liquidity Contingency Plan. They are mainly indicators of the funding structure, in relation to asset encumbrance, counterparty concentration, flights of customer deposits, unexpected use of credit facilities, and of the market, which help anticipate possible risks and capture market expectations.

Finance is the area responsible for the elaboration, monitoring, execution and update of the liquidity and funding plan and of the market access strategy to guarantee and improve the stability and diversification of the wholesale funding sources.

In order to implement and establish management in an anticipated manner, limits are set on an annual basis for the main management metrics that form part of the budgeting process for the liquidity and funding plan. This framework of limits contributes to the planning of the joint future performance of:

– The loan book, considering the types of assets and their degree of liquidity, as well as their validity as collateral in collateralized funding.

– Stable customer funds, based on the application of a methodology for establishing which segments and customer balances are considered to be stable or volatile funds based on the principle of sustainability and recurrence of these funds.

– Projection of the credit gap, in order to require a degree of self-funding that is defined in terms of the difference between the loan-book and stable customer funds.

– Incorporating the planning of securities portfolios into the banking book, which include both fixed-interest and equity securities, and are classified as financial assets at fair value through other comprehensive income and at amortized cost, and additionally on trading portfolios.

– The structural gap projection, as a result of assessing the funding needs generated both from the credit gap and by the securities portfolio in the banking book, together with the rest of on-balance-sheet wholesale funding needs, excluding trading portfolios. This gap therefore needs to be funded with customer funds that are not considered stable or on wholesale markets.

As a result of these funding needs, the BBVA Group plans the target wholesale funding structure according to the tolerance set in each LMU target.

Thus, once the structural gap has been identified and after resorting to wholesale markets, the amount and composition of wholesale structural funding is established in subsequent years, in order to maintain a diversified funding mix and guarantee that there is not a high reliance on short-term funding (short-term wholesale funding plus volatile customer funds).

In practice, the execution of the principles of planning and self-funding at the different LMU results in the Group's main source of funding being customer deposits, which consist mainly of demand deposits, savings deposits and time deposits.

As sources of funding, customer deposits are complemented by access to the interbank market and the domestic and international capital markets in order to address additional liquidity requirements, implementing domestic and international programs for the issuance of commercial paper and medium and long-term debt.

The process of analysis and assessment of the liquidity and funding situation and of the inherent risks is a process carried out on an ongoing basis in the BBVA Group, with the participation of all the Group areas involved in liquidity and funding risk management. This process is carried out at both local and corporate level. It is incorporated into the decision- making process for liquidity and funding management, with integration between the risk appetite strategy and establishment and the planning process, the funding plan and the limits scheme.

7.5.3 Liquidity and funding performance

The BBVA Group maintains a robust and dynamic funding structure with a predominantly retail nature, where customer resources represent the main source of funding.

During 2021, liquidity conditions have remained comfortable in all the countries where the BBVA Group operates. The global crisis caused by COVID-19 had a significant impact on financial markets. The effects of this crisis on the Group's balance sheets materialized fundamentally at first, through greater credit line withdrawals by wholesale clients in view of the worsening financing conditions in the markets, with no significant effect on the retail portfolio. These withdrawals were largely paid off over the following quarters. Dealing with this situation of initial uncertainty, the different central banks provided a joint response through specific measures and programs, whose extension, in some cases, has been prolonged during 2021, to facilitate the financing of the real economy and the provision of liquidity in financial markets, supporting the soundness of liquidity buffers in almost all areas with BBVA presence.

The performance of the indicators show that the robustness of the funding structure remained steady during 2021, 2020 and 2019, in the sense that all LMU held self-funding levels with stable customer resources above the requirements.

LtSCD by LMU

	2021	2020	2019
Group (average)	**95%**	**95%**	**108%**
BBVA S.A.	98%	97%	108%
BBVA Mexico	93%	98%	116%
Garanti BBVA	81%	95%	99%
Other LMU	93%	86%	103%

With respect to LCR, the Group has maintained a liquidity buffer at both a consolidated and individual level in 2021. As a result, the ratio has remained comfortably above 100%, with the consolidated ratio as of December 31, 2021 standing at 165%.

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 213%, or +48 basis points above the required level.

LCR main LMU

	2021	2020	2019
Group	**165%**	**149%**	**129%**
BBVA S.A.	190%	173%	147%
BBVA Mexico	245%	196%	147%
Garanti BBVA	211%	183%	206%

One of the key elements in BBVA's Group liquidity and funding management is the maintenance of large high quality liquidity buffers in all business areas where the group operates.

Each entity maintains a sound liquidity buffer at the individual level for BBVA, S.A. and for each of its subsidiaries, such as BBVA Mexico, Garanti BBVA and the Latin American subsidiaries. In general, this buffer has been strengthened during 2021 in the LMU.

In this respect, the Group has maintained for the last 12 months an average volume of high quality liquid assets (HQLA) amounting to €138.2 billion, among which, 93% correspond to maximum quality assets (LCR Level 1).

The table below shows the liquidity available by instrument as of December 31, 2021, 2020 and 2019 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

Liquidity available by instrument (Millions of Euros)

	BBVA S.A.			BBVA Mexico			Garanti BBVA			Other		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019 (*)
Cash and withdrawable central bank reserves	35,258	39,330	14,516	12,146	8,930	6,246	8,179	6,153	6,450	6,469	6,831	11,317
Level 1 tradable assets	37,272	48,858	41,961	13,881	9,205	7,295	5,549	7,019	7,953	6,036	6,237	14,930
Level 2A tradable assets	5,234	5,119	403	74	106	316	—	—	—	—	—	344
Level 2B tradable assets	9,492	6,080	5,196	28	11	219	—	—	—	2	—	12
Other tradable assets	27,870	20,174	22,213	343	421	1,269	722	701	669	934	745	1,538
Non tradable assets eligible for central banks	—	—	—	—	—	—	—	—	—	—	—	2,935
Cumulated counterbalancing capacity	**115,127**	**119,560**	**84,288**	**26,472**	**18,672**	**15,344**	**14,449**	**13,873**	**15,072**	**13,440**	**13,814**	**31,075**

(*) In 2019 it includes the balance of the companies in the United States (see Notes 1.3, 3 and 21).

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, calculated by applying the regulatory criteria established in Regulation (EU) 2019/876 of the European Parliament and of the Council, of May 20, 2019, entered into force in June 2021, and stood at 135% as of December 31, 2021.

The NSFR of BBVA Group and its main LMU at December 31, 2021, 2020 and 2019, was the following:

NSFR main LMU

	2021	2020(*)	2019(*)
Group	**135%**	**127%**	**120%**
BBVA S.A.	126%	121%	113%
BBVA Mexico	149%	138%	130%
Garanti BBVA	162%	154%	151%

(*) Ratio calculated based on the Basel requirements for 2019 and 2020.

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2021, 2020 and 2019:

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 in financial institutions	1,936	4,257	415	825	183	924	496	146	146	579	9,907
Deposits in other financial institutions and international agencies	8,894	2,728	1,700	382	289	227	578	231	337	722	16,087
Customer deposits	281,812	28,806	11,814	4,867	1,717	1,520	1,740	578	863	416	334,132
Security pledge funding	—	52,437	6,858	2,485	1,513	8,252	29,954	5,527	4,755	1,490	113,269
Derivatives, net	(33)	(395)	(176)	(326)	(66)	(641)	100	(122)	(155)	(66)	(1,880)

December 2020. Contractual maturities (Millions of Euros) (*)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	42,518	32,741	—	—	—	—	—	—	—	—	75,258
Deposits in credit entities	—	3,616	677	921	356	461	117	120	2	39	6,309
Deposits in other financial institutions	—	2,202	855	797	734	543	1,251	721	515	500	8,119
Reverse repo, securities borrowing and margin lending	—	20,033	4,757	1,351	364	368	3,320	1,849	891	1,089	34,021
Loans and advances	279	16,939	24,280	23,012	15,579	17,032	46,182	38,851	51,709	110,173	344,036
Securities' portfolio settlement	—	3,896	6,680	6,557	5,084	13,014	9,858	15,494	17,231	50,045	127,859

(*) It includes the balance of the companies in the United States (see Notes 1.3, 3 and 21).

December 2020. 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	—	4,750	2,618	3,963	1,283	1,543	10,573	7,505	12,793	23,839	68,868
Deposits in financial institutions	8,838	7,859	254	741	152	726	825	189	166	371	20,120
Deposits in other financial institutions and international agencies	12,735	4,324	2,694	588	353	272	957	337	459	870	23,589
Customer deposits	308,360	39,978	13,416	6,808	4,526	4,366	3,361	1,213	869	799	383,694
Security pledge funding	—	41,239	5,301	1,643	1,192	368	11,304	28,510	3,740	1,516	94,812
Derivatives, net	—	(722)	15	(961)	(85)	134	(400)	(157)	(264)	(159)	(2,599)

(*) It includes the balance of the companies in the United States (see Notes 1.3, 3 and 21).

December 2019. 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	20,954	20,654	—	—	—	—	—	—	—	—	41,608
Deposits in credit entities	—	3,591	283	488	585	503	189	24	120	432	6,216
Deposits in other financial institutions	—	1,336	1,120	796	589	991	1,420	1,072	672	2,089	10,084
Reverse repo, securities borrowing and margin lending	—	21,612	3,858	2,287	561	808	4,121	1,838	411	803	36,299
Loans and advances	157	22,015	25,056	24,994	15,777	16,404	42,165	35,917	54,772	122,098	359,354
Securities' portfolio settlement	—	1,622	3,873	6,620	2,017	7,292	21,334	6,115	13,240	46,022	108,136

(*) It includes the balance of the companies in the United States (see Notes 1.3, 3 and 21).

December 2019. 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	1,393	1,714	4,208	1,645	4,386	8,328	10,608	10,803	27,840	70,927
Deposits in financial institutions	7,377	7,608	493	1,122	172	1,514	386	614	206	510	20,004
Deposits in other financial institutions and international agencies	10,177	3,859	867	381	367	257	982	503	499	952	18,843
Customer deposits	271,638	43,577	18,550	10,013	7,266	6,605	3,717	2,062	854	1,039	365,321
Security pledge funding	—	45,135	3,202	15,801	1,456	653	3,393	7,206	759	1,308	78,914
Derivatives, net	—	(66)	(25)	29	(11)	1,097	(830)	(278)	(333)	(420)	(838)

(*) It includes the balance of the companies in the United States (see Notes 1.3, 3 and 21)

With regard to the financing structure, the loan portfolio is mostly financed by retail deposits. The "demand" maturity bucket mainly contains the retail customer sight accounts whose behavior historically showed a high level of stability and little concentration. According to a behavior analysis which is done every year in every entity, this type of account is considered to be stable and for liquidity risk purposes receive a better treatment.

The most relevant aspects related to the main geographical areas are the following:

- In the Eurozone, BBVA has continued to maintain a sound position with a large high-quality liquidity buffer. During 2021, commercial activity has drawdown liquidity amounting to approximately €9 billion due to the increase in lending activity, especially in the last quarter of the year, as well as the decrease in the volume of deposits, mainly wholesale. It should also be noted that in the second quarter of 2021, the payment of the BBVA USA sale transaction was collected. In addition, in March 2021, BBVA S.A. took part in the TLTRO III liquidity window program to take advantage of the improved conditions announced by the European Central Bank (ECB) in December 2020, with an amount drawn of €3.5 billion that, together with the €34.9 billion available at the end of December 2020 , amount to €38.4 billion at the end of December 2021.
- In BBVA Mexico, commercial activity has provided liquidity between January and December 2021 in the amount of approximately 73 billion Mexican pesos, derived from a higher growth in customer funds compared to the growth in lending activity. This increased liquidity is expected to be reduced due to the recovery in lending activity expected in 2022. This solid liquidity position has contributed to an efficient policy in the cost of funding, in an environment of higher interest rates.

In terms of wholesale issuances, there was no need to refinance any maturities in 2021, having matured in 2021 a subordinated issue amounting to USD 750 million and a senior issue amounting to 4,500 million Mexican pesos.

- In the fourth quarter, the Central Bank of the Republic of Turkey made a series of cuts in benchmark rates, despite the increases in the inflation rate, for a total of 400 basis points to 14%, triggering an adverse reaction from the markets and severe currency depreciation. In order to alleviate the depreciation of the currency, during the month of December, the Turkish government implemented a new mechanism to encourage local currency deposits. During 2021, the lending gap in local currency has widened, with a higher increase in loans than in deposits, while the lending gap in foreign currency has narrowed, due to a decline in loans and an increase in deposits. Garanti BBVA continues to maintain a stable liquidity position with comfortable ratios.
- In South America, the liquidity situation remains adequate throughout the region, despite the fact that central banks in the region have started rate hike cycles and withdrawal of stimulus programs that mitigate the impact of the COVID-19 crisis. In Argentina, liquidity in the system and in BBVA continues to increase due to the higher growth in deposits than in loans in local currency. In BBVA Colombia, activity picks up accompanied by the growth in deposits. BBVA Peru maintains solid levels of liquidity, while reducing excess liquidity due to growth in lending activity, combined with a contraction of deposits, following a costs control strategy.

The main wholesale financing transactions carried out by the companies of the BBVA Group are listed below:

- In March 2021, BBVA S.A. issued a senior preferred debt for an amount of €1 billion, with a maturity of 6 years and an option for early redemption after five years. In September 2021, BBVA S.A. issued a floating rate senior preferred bond totaling €1 billion and maturing in 2 years, the fifth issue made by BBVA linked to environmental, social and governance (ESG) criteria. Additionally, in January 2022, BBVA S.A. issued a €1 billion senior non-preferred bond, with a maturity of 7 years and an option for early redemption in the sixth year, with a coupon of 0.875%.
- In Turkey, there have been no issuances in 2021. The Bank renewed its syndicated loans in June and November, indexed to sustainability criteria. On June 2, BBVA Garanti renewed 100% of a syndicated loan, formed by two separate tranches, amounting to USD 279m and €294m, with a 1-year maturity and a cost of Libor +2.50% and Euribor +2.25%, respectively. In November, the Bank renewed 100% of the second tranche of the mentioned loan, for USD 365m and €247m, at a cost of Libor + 2.15% and Euribor + 1.75% respectively.
- In South America, BBVA Uruguay issued in February 2021 the first sustainable bond on the Uruguayan financial market for USD 15m at an initial interest rate of 3.854%.

The liquidity position of the rest of subsidiaries has continued to be sound, maintaining a solid liquidity position in all the jurisdictions in which the Group operates.

In this context, BBVA has maintained its objective of strengthening the funding structure of the different Group entities based on growing their self-funding from stable customer funds, while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral available for dealing with stress situations in the markets.

7.5.4 Asset encumbrance

As of December 31, 2021, 2020 and 2019, 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		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Assets	**114,336**	**121,999**	**101,792**				**548,548**	**614,260**	**596,898**			
Equity instruments	307	2,134	3,526	307	2,134	3,526	22,280	14,556	12,113	22,280	14,556	12,113
Debt securities	31,557	29,379	29,630	29,527	26,112	29,567	89,307	100,108	95,611	89,307	100,108	95,611
Loans and advances and other assets	82,472	90,486	68,636				436,962	499,595	489,174			

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 22.4) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments correspond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative transactions is also included as committed assets.

As of December 31, 2021, 2020 and 2019, 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		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Collateral received	**40,905**	**30,723**	**38,496**	**17,029**	**8,652**	**9,208**	**1,719**	**1,071**	**48**
Equity instruments	289	239	65	265	204	70	—	—	—
Debt securities	40,616	30,484	38,431	16,764	8,448	9,130	1,719	1,071	38
Loans and advances and other assets	—	—	—	—	—	8	—	—	10
Own debt securities issued other than own covered bonds or ABSs	**—**	**3**	**—**	**50**	**94**	**82**	**—**	**—**	**—**

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, 2021, 2020 and 2019, 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		
	2021	2020	2019	2021	2020	2019
Book value of financial liabilities	**137,242**	**131,352**	**124,252**	**151,275**	**147,523**	**135,500**
Derivatives	15,368	16,611	19,066	15,191	16,348	20,004
Deposits	109,311	98,668	87,906	120,957	111,726	94,240
Outstanding subordinated debt	12,563	16,073	17,280	15,127	19,449	21,256
Other sources	**620**	**653**	**449**	**3,966**	**5,202**	**4,788**

8 Fair value of financial instruments

Framework and processes control

As part of the process established in the Group for determining the fair value in order to ensure that financial assets and liabilities are properly following the IFRS 13 principles: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

BBVA has established, at a geographic level, a structure of Risk Operational Admission and Product Governance Committees responsible for validating and approving new products or types of financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (see Management Report - Risk) are members of these committees.

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure the fair value of these financial assets and liabilities, in accordance with the rules established by the valuation global area and using models that have been validated and approved by the responsible areas complying with the governance of BBVA Group's official models.

Fair value hierarchy

All financial instruments, both assets and liabilities are initially recognized at fair value, which at that point is equivalent to the transaction price, unless there is evidence to the contrary in the market. Subsequently, depending on the type of financial instrument, it may continue to be recognized at amortized cost or fair value through adjustments in the consolidated income statement or equity.

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

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

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

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

– Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.

– Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2021, the affected instruments at fair value accounted for approximately 0.74% of financial assets and 0.35% of the Group's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

8.1 Fair value of financial instruments

The fair value of the Group's financial instruments in the accompanying consolidated balance sheets and its corresponding carrying amounts, as of December 31, 2021, 2020 and 2019 are presented below:

Fair Value and Carrying Amount (Millions of Euros)

		2021		2020		2019	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS							
Cash, cash balances at central banks and other demand deposits	9	67,799	67,799	65,520	65,520	44,303	44,303
Financial assets held for trading	10	123,493	123,493	105,878	105,878	99,469	99,469
Non-trading financial assets mandatorily at fair value through profit or loss	11	6,086	6,086	5,198	5,198	5,557	5,557
Financial assets designated at fair value through profit or loss	12	1,092	1,092	1,117	1,117	1,214	1,214
Financial assets at fair value through other comprehensive income	13	60,421	60,421	69,440	69,440	61,183	61,183
Financial assets at amortized cost	14	372,676	377,451	367,668	374,267	439,162	442,788
Derivatives – Hedge accounting	15	1,805	1,805	1,991	1,990	1,729	1,729
LIABILITIES							
Financial liabilities held for trading	10	91,135	91,135	84,109	84,109	86,414	86,413
Financial liabilities designated at fair value through profit or loss	12	9,683	9,683	10,050	10,050	10,010	10,010
Financial liabilities at amortized cost	22	487,893	488,733	490,606	491,006	516,641	515,910
Derivatives – Hedge accounting	15	2,626	2,626	2,318	2,318	2,233	2,233

Not all financial assets and liabilities are recorded at fair value, so below we provide the information on financial instruments recorded at fair value and subsequently the information of those recorded at amortized cost (including their fair value although this value is not used when accounting for these instruments).

8.1.1 Fair value of financial instruments recognized at fair value, according to valuation criteria

Below are the different elements used in the valuation technique of financial instruments.

Active Market

BBVA considers an active market as a market that allows the observation of bid and offer prices representative of the levels to which the market participants are willing to negotiate an asset, with sufficient frequency and volume.

Furthermore, BBVA would consider as traded in an "Organized Market" quotations for assets or liabilities from Over The Counter (OTC) markets when they are obtained from independent sources, observable on a daily basis and fulfil certain conditions.

The following table shows the financial instruments carried at fair value in the accompanying consolidated balance sheets, broken down by level used to determine their fair value as of December 31, 2021, 2020 and 2019:

Fair Value of Financial Instruments by Levels (Millions of Euros)

	2021			2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Financial assets held for trading	**32,371**	**87,736**	**3,386**	**32,555**	**71,938**	**1,386**	**31,135**	**67,262**	**1,072**
Equity instruments	15,925	—	37	11,367	31	60	8,832	—	59
Debt securities	11,877	13,725	189	12,790	11,123	57	18,076	8,178	55
Loans and advances	615	47,279	2,913	2,379	26,741	1,148	697	30,491	849
Derivatives	3,954	26,732	247	6,019	34,043	121	3,530	28,593	109
Non-trading financial assets mandatorily at fair value through profit or loss	**4,378**	**522**	**1,186**	**3,826**	**381**	**992**	**4,305**	**92**	**1,160**
Equity instruments	4,158	394	751	3,612	57	465	4,223	1	103
Debt securities	—	128	—	4	324	28	—	91	19
Loans and advances	220	—	435	210	—	499	82	—	1,038
Financial assets designated at fair value through profit or loss	**916**	**176**	**—**	**939**	**178**	**—**	**1,214**	**—**	**—**
Equity instruments	—	—	—	—	—	—	—	—	—
Debt securities	916	176	—	939	178	—	1,214	—	—
Loans and advances	—	—	—	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	**52,157**	**7,545**	**719**	**60,976**	**7,866**	**598**	**50,896**	**9,203**	**1,084**
Equity instruments	1,178	36	106	961	34	105	1,794	146	480
Debt securities	50,952	7,509	613	59,982	7,832	493	49,070	9,057	604
Loans and advances	27	—	—	33	—	—	33	—	—
Derivatives – Hedge accounting	**63**	**1,733**	**9**	**120**	**1,862**	**8**	**44**	**1,685**	**—**
LIABILITIES									
Financial liabilities held for trading	**26,215**	**64,305**	**615**	**27,587**	**56,127**	**395**	**26,266**	**59,438**	**710**
Trading derivatives	4,755	26,560	389	7,402	34,046	232	4,425	29,466	175
Short positions	15,124	11	—	11,805	504	3	12,246	1	2
Deposits	6,335	37,733	226	8,381	21,577	159	9,595	29,971	533
Financial liabilities designated at fair value through profit or loss	**1**	**8,243**	**1,439**	**—**	**8,558**	**1,492**	**—**	**8,629**	**1,382**
Customer deposits	—	809	—	—	902	—	—	944	—
Debt certificates	1	1,956	1,439	—	3,038	1,492	—	3,274	1,382
Other financial liabilities	—	5,479	—	—	4,617	—	—	4,410	—
Derivatives – Hedge accounting	**53**	**2,573**	**—**	**53**	**2,250**	**15**	**30**	**2,192**	**11**

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2021, 2020 and 2019.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails

Fair value of Financial Instruments by levels.(Millions of euros)

	2021		2020		2019				
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS									
Financial assets held for trading	**87,736**	**3,386**	**71,938**	**1,386**	**69,092**	**1,508**			
Equity instruments	—	37	31	60	—	59	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	13,725	189	11,123	57	8,178	55	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	47,279	2,913	26,741	1,148	30,491	849	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	26,732	247	34,043	121	28,593	109			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond options: Black 76 Swaptions: Black, Hull-White y LGM Other Interest rate Options: Black 76, Hull-White y LGM Constant Maturity Swaps: SABR		- Beta - Implicit correlations between tenors - interest rates volatility
Equity							Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold							Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities							Commodities: Momentum adjustment and discounted cash flows		
Non-trading financial assets mandatorily at fair value through profit or loss	**522**	**1,186**	**381**	**992**	**92**	**1,160**			
Equity instruments	394	751	57	465	1	103	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	128	—	324	28	91	19	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Loans and advances	—	435	—	499	—	1,038	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings Discounted future cash flows		- Prepayment rates - Business plan of the underlying asset, WACC, macro scenario - Property valuation
Financial assets designated at fair value through profit or loss	**176**	**—**	**178**	**—**	**—**	**—**	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	
Debt securities	176	—	178	—	—	—			
Financial assets at fair value through other comprehensive income	**7,545**	**719**	**7,866**	**598**	**9,203**	**1,084**			
Equity instruments	36	106	34	105	146	480	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	7,509	613	7,832	493	9,057	604	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Hedging derivatives	**1,733**	**9**	**1,862**	**8**	**1,685**	**—**			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black 76 Swaptions: Black 76, Hull-White y LGM Other Interest rate Options: Black 76, Hull-White y LGM Constant maturity Swaps: SABR		- Beta - Implicit correlations between tenors - interest rates volatility
Equity							Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, Black 76, Momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold							Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit							Credit Derivatives: Default model and Gaussian copula		- Credit spread - Recovery rates - Interest rate yield
Commodities							Commodities: Momentum adjustment and Discounted cash flows		

Fair Value of Financial Instruments by Levels.(Millions of Euros)

	2021		2020		2019				
	Level 2	**Level 3**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Valuation technique(s)**	**Observable inputs**	**Unobservable inputs**
LIABILITIES									
Financial liabilities held for trading	**64,305**	**615**	**56,127**	**395**	**61,588**	**827**			
Deposits	37,733	226	21,577	159	29,971	533	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	26,560	389	34,046	232	29,466	175			
Interest rate							Interest rate products (Interest rate Swaps, call money Swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond options: Black 76 Swaptions: Black 76, Hull-White y LGM Other Interest rate Options: Black 76, Hull-White, SABR y LGM Constant Maturity Swaps: SABR	- 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	- Beta - Correlation between tenors - Interest rates volatility
Equity							Future and Equity forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment and Heston		- 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	11	—	504	3	1	2	Present-value method (Discounted future cash flows)		- Prepayment rates - Issuer´s credit risk - Current market interest rates
Financial liabilities designated at fair value through profit or loss	**8,243**	**1,439**	**8,558**	**1,492**	**8,629**	**1,382**	**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	**2,573**	**—**	**2,250**	**15**	**2,192**	**11**			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond options: Black 76 Swaptions: Black, Hull-White y LGM Other Interest rate Options: Black 76, Hull-White, SABR y LGM Constant Maturity Swaps: SABR	- 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	- 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		- 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. 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, 2021, 2020 and 2019:

Unobservable inputs. December 2021

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit Spread	2.72	125.41	2,374.39	bp
		Recovery Rate	0.00 %	37.34 %	40.00 %	%
			0.10 %	96.63 %	144.11 %	%
Equity/Fund instruments (*)	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	34.56 %	43.47 %	52.78 %	%
	Black 76	Price Volatility		—		Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (**)				
		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	2.00	18.00	%
		Correlation Rate/Credit	(100)		100	%
		Credit Default Volatility	—	—	—	Vegas

(*) Due to the diversity of valuation models of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

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

Unobservable inputs. December 2020

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit Spread	4.32	47.01	564.22	bp
		Recovery Rate	0.00 %	37.06 %	40.00 %	%
			0.10 %	99.92 %	143.87 %	%
Equity/Fund instruments (*)	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	(1.18)%	(0.25)%	0.74 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation Default	30.40 %	44.87 %	60.95 %	%
	Black 76	Price Volatility		—		Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (**)				
		Correlations	(77)%	51 %	98 %	%
		Volatility	6.52	29.90	141.77	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	4.11	10.00	16.14	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25	2.00	18.00	%
		Correlation Rate/Credit	(100)		100	%
		Credit Default Volatility	—	—	—	Vegas

(*) Due to the diversity of valuation models of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

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

Unobservable inputs. December 2019

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Loans and advances	Present value method	Repo funding curve	(6)	16	100	bp
Debt securities	Comparable pricing	Credit spread	18	83	504	bp
		Recovery rate	0.00%	28.38%	40.00%	%
			0.01%	98.31%	135.94%	%
Equity instruments (*)	Net asset value					
	Comparable pricing					
Credit option	Gaussian Copula	Correlation default	19.37%	44.33%	61.08%	%
Corporate Bond option	Black 76	Price volatility		-		Vegas
Equity OTC option	Heston	Forward volatility skew	35.12	35.12	35.12	Vegas
	Local volatility	Dividends (**)				
		Volatility	2.49	23.21	60.90	Vegas
FX OTC options	Black Scholes/Local Vol	Volatility	3.70	6.30	10.05	Vegas
Interest rate options	Libor Market Model	Beta	0.25	2.00	18.00	%
		Correlation rate/Credit	(100)		100	%
		Credit default Volatility	—	—	—	Vegas

(*) Due to the diversity of valuation models of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

(**) 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, default criteria, inherent and from the counterparties, valuation risk from funding and valuation risks due to valuation uncertainty and related to the prudent valuation criteria. All of the above are aligned with the regulatory requirements (EBA CRR 105.10) and considering 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 amounts recognized in the consolidated balance sheet as of December 31, 2021, 2020 and 2019 related to the valuation adjustments to the credit assessment of the derivative asset as Credit Valuation Adjustments (CVA) were €-121 million, €-142 million and €-106 million respectively, and the valuation adjustments to the derivative liabilities as Debit Valuation Adjustment (DVA) were €104 million, €124 million and €117 million, respectively. 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, 2021, 2020 and 2019 corresponding to the mentioned adjustments was a net impact of €0 million, €-29 million and €67 million respectively.

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, 2021, 2020 and 2019, €-11 million, €-9 million and €-8 million related to the “Funding Valuation Adjustments” (“FVA”) were recognized in the consolidated balance sheet, being the impact on results €-1 million, €-1 million and €4 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 derivatives 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, 2021 corresponding to the mentioned adjustments was a net impact of €-30 million.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying consolidated balance sheets are as follows:

Financial assets Level 3: Changes in the year (Millions of Euros)

	2021		2020		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**2,984**	**1,902**	**3,316**	**2,103**	**3,527**	**4,115**
Changes in fair value recognized in profit and loss (*)	338	143	611	296	112	71
Changes in fair value not recognized in profit and loss	(47)	(10)	(89)	(4)	2	—
Acquisitions, disposals and liquidations (**)	2,531	156	(725)	(652)	(432)	479
Net transfers to Level 3	(436)	(80)	549	199	76	(2,751)
Exchange differences and others	(69)	(56)	(160)	(35)	31	189
Discontinued operations (***)	—	—	(518)	(5)	—	—
Balance at the end	**5,301**	**2,054**	**2,984**	**1,902**	**3,316**	**2,103**

(*)Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2021, 2020 and 2019. Valuation adjustments are recorded under the heading “Gains (losses) on financial assets and liabilities (net)”.

(**) 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.

(***)The balance of 2020 corresponds mainly to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

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, there is a higher volume of exposures classified as level 3 which mainly corresponds to temporary acquisitions of assets, despite having improved throughout the year the observability of the inputs used to value these assets in the market.

In 2020, a reduction was made in financial assets held for trading and financial liabilities held for trading classified as Level 2 in the fair value hierarchy for an amount of €1,918 million and a reduction in financial assets held for trading and Financial liabilities held for trading classified as Level 3 in the fair value hierarchy for an amount of €461 million euros (see Note 1.3).

In 2019, certain interest rate yields were adapted to those observable in the market, which mainly affected the valuation of certain deposit classes recorded under "Financial liabilities at amortized cost" and certain insurance products recorded under "Financial liabilities designated at fair value through profit or loss - Other financial liabilities", and, as a result thereof, their classification changed from Level 3 to Level 2. Additionally, €1,285 million in assets held for trading and €649 million in liabilities held for trading were classified in Level 3, mainly due to certain reverse repurchase and repurchase agreements, due to the non-observability and liquidity in the interest rate yield for the financing of assets applied in the calculation of their fair value.

For the years ended December 31, 2021, 2020 and 2019, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying consolidated income statement was not material.

Transfers among levels

The Global Valuation Area, in collaboration with the Group, has established the rules for an appropriate financial instruments held for trading classification according to the fair value hierarchy defined by IFRS.

On a monthly basis, any new assets added to the portfolio are classified, according to this criterion, by the subsidiaries. Then, there is a quarterly review of the portfolio in order to analyze the need for a change in classification of any of these assets.

The financial instruments transferred among the different levels of measurement for the years ended December 31, 2021, 2020 and 2019 are at the following amounts in the accompanying consolidated balance sheets as of December 31, 2021, 2020 and 2019:

Transfers among levels. December 2021 (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	924	2	35	184	10	637
Non-trading financial assets mandatorily at fair value through profit or loss	8	—	—	—	14	23
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	596	17	506	50	—	6
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**1,528**	**19**	**542**	**234**	**24**	**665**
LIABILITIES						
Financial liabilities held for trading	562	—	24	57	15	95
Financial liabilities designated at fair value through profit or loss	—	—	—	38	—	65
Derivatives – Hedge accounting	—	—	—	—	—	—
Total	**562**	**—**	**24**	**95**	**15**	**160**

Transfer among levels (Millions of Euros)

	2020						2019					
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	1,460	11	203	548	4	98	74	—	1,119	502	1	160
Non-trading financial assets mandatorily at fair value through profit or loss	9	11	4	—	—	17	—	—	23	2	—	44
Financial assets designated at fair value through profit or loss	143	—	—	—	—	—	—	—	—	—	1	—
Financial assets at fair value through other comprehensive income	484	—	135	96	—	6	6	6	4	209	—	454
Derivatives – Hedge accounting	—	—	—	8	—	—	—	—	—	26	—	10
Total	**2,096**	**22**	**342**	**652**	**4**	**121**	**79**	**6**	**1,145**	**739**	**2**	**667**
LIABILITIES												
Financial liabilities held for trading	8	3	—	180	—	13	1	—	—	—	—	—
Financial liabilities designated at fair value through profit or loss	—	—	—	56	—	27	—	—	—	27	—	2,679
Derivatives – Hedge accounting	—	—	—	—	—	—	—	—	—	27	—	125
Total	**8**	**3**	**—**	**236**	**—**	**40**	**1**	**—**	**—**	**54**	**—**	**2,804**

The amount of financial instruments that were transferred among levels of valuation during the year ended December 31, 2021 is not material relative to the total portfolios, and corresponds to the above changes in the classification among levels these financial instruments modified some of their features, specifically:

- Transfers among Levels 1 and 2 represent mainly derivatives, debt securities and short positions, which are either no longer listed on an active market (transfer from Level 1 to 2) or have just started to be listed (transfer from Level 2 to 1).
- Transfers from Level 2 to Level 3 are mainly due to transactions of financial assets held for trading, financial assets at fair value through other comprehensive income, financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.
- Transfers from Level 3 to Level 2 generally affect derivatives, loans and advances and debt securities transactions, for which inputs observable in the market have been obtained.

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 on a monthly basis, based on the criteria defined by the Global Valuation Area 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, 2021, 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
ASSETS				
Financial assets held for trading	33	(57)	—	—
Loans and advances	4	(4)	—	—
Debt securities	24	(24)	—	—
Equity instruments	1	(25)	—	—
Derivatives	5	(5)	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	35	(36)	—	—
Loans and advances	16	(5)	—	—
Debt securities	10	(10)	—	—
Equity instruments	9	(21)	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	41	(43)
Total	**68**	**(93)**	**41**	**(43)**
LIABILITIES				
Financial liabilities held for trading	3	(3)	—	—
Total	**3**	**(3)**	**—**	**—**

8.2 Fair value of financial instruments carried at cost, by valuation criteria

The valuation technique used to calculate the fair value of financial assets and liabilities carried at cost are presented below:

Financial assets

- Cash, balances at central banks and other demand deposits / loans to central banks / short-term loans to credit institutions/ Repurchase agreements: in general, their fair value approximates to their book value, due to the nature of the counterparty and because they are mainly short-term balances in which the book value is the most reasonable estimation of the value of the asset.

- Loans to credit institutions which are not short-term and loans to customers: In general, the fair value of these financial assets is determined by the discount of expected future cash flows, using market interest rates at the time of valuation adjusted by the credit spread and taking all kind of behavioral hypothesis if it is considered to be relevant (prepayment fees, optionality, etc.).

- Debt securities: Fair value estimated based on the available market price or by using internal valuation methodologies.

Financial liabilities

- Deposits from central banks: for recurrent liquidity auctions and other monetary policy instruments of central banks / short-term deposits, from credit institutions / repurchase agreements / short term customer deposits: their book value is considered to be the best estimation of their fair value.

- Deposits of credit institutions which are not short-term and term customer deposits: these deposits are valued by discounting future cash flows using the interest rate curve in effect at the time of the adjustment adjusted by the credit spread and incorporating any behavioral assumptions if this proves relevant (early repayments, optionalities, etc.).

- Debt certificate (Issuances): The fair value estimation of these liabilities depends on the availability of market prices or by using the present value method: discount of future cash flows, using market interest rates at valuation time and taking into account the credit spread.

The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying consolidated balance sheets as of December 31, 2021, 2020 and 2019, broken down according to the method of valuation used for the estimation:

Fair value of financial instruments at amortized cost by Levels (Millions of Euros)

	2021			2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash, cash balances at central banks and other demand deposits	67,581	—	218	65,355	—	165	44,111	—	192
Financial assets at amortized cost	33,213	13,033	331,205	35,196	15,066	324,005	29,391	217,279	196,119
LIABILITIES									
Financial liabilities at amortized cost	91,870	243,847	153,016	90,839	255,278	144,889	67,229	289,599	159,082

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2021, 2020 and 2019:

Fair Value of financial Instruments at amortized cost by valuation technique (Millions of Euros)

	2021		2020		2019		Valuation technique(s)	Main inputs used
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3		
ASSETS								
Financial assets at amortized cost	**13,033**	**331,205**	**15,066**	**324,005**	**217,279**	**196,119**		
Loans and advances to central banks	—	—	—	—	—	2	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	863	12,329	1,883	12,641	9,049	4,628		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	3,416	318,059	3,904	310,924	194,897	190,144		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	8,755	817	9,279	440	13,333	1,345		- Credit spread - Interest rate yield
LIABILITIES								
Financial liabilities at amortized cost	**243,847**	**153,016**	**255,278**	**144,889**	**289,599**	**159,082**		
Deposits from central banks	—	300	—	207	129	—	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions	14,853	4,916	22,914	4,633	21,575	6,831		
Deposits from customers	209,345	137,803	210,097	129,525	245,720	135,514		
Debt certificates	10,014	4,391	14,413	4,848	14,194	11,133		
Other financial liabilities	9,636	5,606	7,854	5,676	7,981	5,604		

In 2020, the level of significance of the unobservable inputs used to determine the fair value hierarchy of loans and advances to customers at amortized cost was refined, resulting in a greater exposure classified as Level 3. This revision was carried out in the context of the availability of new information which was more adjusted to the changes that have occurred both in market conditions and in the composition of credit investment. The effect on consolidated results and equity resulting from this review did not represent any change.

9. Cash, cash balances at central banks and other demand deposits

The breakdown of the balance under the heading "Cash, cash balances at central banks and other demand deposits" in the accompanying consolidated balance sheets is as follows:

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	Notes	2021	2020	2019
Cash on hand		6,877	6,447	7,060
Cash balances at central banks (*)		55,004	53,079	31,756
Other demand deposits		5,918	5,994	5,488
Total	**8.1**	**67,799**	**65,520**	**44,303**

(*) The variation in 2020 with respect to 2019 is mainly due to an increase in balances of BBVA, S.A. at the Bank of Spain.

10. Financial assets and liabilities held for trading

10.1 Breakdown of the balance

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Financial assets and liabilities held for trading (Millions of Euros)

	Notes	2021	2020	2019
ASSETS				
Derivatives (*)		30,933	40,183	32,232
Equity instruments	7.2.2	15,963	11,458	8,892
Credit institutions		816	633	1,037
Other sectors		15,147	10,824	7,855
Debt securities	7.2.2	25,790	23,970	26,309
Issued by central banks		936	1,011	840
Issued by public administrations		21,946	19,942	23,918
Issued by financial institutions		1,130	1,479	679
Other debt securities		1,778	1,538	872
Loans and advances (**)	7.2.2	50,807	30,268	32,037
Loans and advances to central banks		3,467	53	535
Reverse repurchase agreement		*3,467*	*53*	*535*
Loans and advances to credit institutions		31,916	18,317	19,020
Reverse repurchase agreement		*31,901*	*18,310*	*18,953*
Loans and advances to customers		15,424	11,898	12,482
Reverse repurchase agreement		*14,916*	*11,295*	*12,187*
Total assets	**8.1**	**123,493**	**105,878**	**99,469**
LIABILITIES				
Derivatives (*)		31,705	41,680	34,066
Short positions		15,135	12,312	12,249
Deposits (**)		44,294	30,117	40,099
Deposits from central banks		11,248	6,277	7,635
Repurchase agreement		*11,248*	*6,277*	*7,635*
Deposits from credit institutions		16,176	14,377	22,704
Repurchase agreement		*15,632*	*14,035*	*22,313*
Customer deposits		16,870	9,463	9,761
Repurchase agreement		*16,824*	*9,418*	*9,689*
Total liabilities	**8.1**	**91,135**	**84,109**	**86,414**

(*) The variation in 2021 is mainly due to the evolution of interest rate derivatives at BBVA, S.A.

(**) The variation in 2021 corresponds mainly to the evolution of "Reverse repurchase agreement" of BBVA S.A., partially offset by the evolution of "Repurchase agreement". The information for 2020 and 2019 has been subject to certain non-significant modifications in order to improve comparability with the figures for financial year 2021 (see Note 1.3).

As of December 31, 2021, 2020 and 2019 "Short positions" include €14,298, €11,696 and €11,649 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, 2021, 2020 and 2019, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of foreign credit institutions and other financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown of the net positions by transaction type of the fair value and notional amounts of derivatives recognized in the accompanying 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)

	2021			2020			2019		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	**15,782**	**15,615**	**3,902,760**	**26,451**	**26,028**	**3,252,066**	**21,004**	**20,378**	**3,024,794**
OTC	15,774	15,610	3,884,561	26,447	26,020	3,233,718	21,004	20,377	2,997,443
Organized market	8	5	18,199	3	8	18,348	—	1	27,351
Equity instruments	**2,802**	**4,123**	**72,656**	**2,626**	**4,143**	**72,176**	**2,263**	**3,499**	**84,140**
OTC	775	1,930	48,695	584	1,836	42,351	353	1,435	40,507
Organized market	2,028	2,192	23,962	2,042	2,307	29,825	1,910	2,065	43,633
Foreign exchange and gold	**12,104**	**11,471**	**533,395**	**10,952**	**11,216**	**461,898**	**8,608**	**9,788**	**472,194**
OTC	12,090	11,445	526,590	10,942	11,216	457,180	8,571	9,782	463,662
Organized market	14	26	6,805	10	—	4,719	37	6	8,532
Credit	**236**	**490**	**19,937**	**153**	**292**	**23,411**	**353**	**397**	**29,077**
Credit default swap	236	254	18,121	146	156	21,529	338	283	26,702
Credit spread option	—	—	—	—	—	—	—	2	150
Total return swap	—	236	1,815	7	136	1,882	14	113	2,225
Other	—	—	—	—	—	—	—	—	—
Commodities	**8**	**7**	**149**	**1**	**1**	**26**	**4**	**4**	**64**
DERIVATIVES	**30,933**	**31,705**	**4,528,897**	**40,183**	**41,680**	**3,809,577**	**32,232**	**34,066**	**3,610,269**
Of which: OTC - credit institutions	*21,069*	*22,488*	*1,073,921*	*24,432*	*27,244*	*958,017*	*19,962*	*22,973*	*1,000,243*
Of which: OTC - other financial corporations	*3,300*	*3,075*	*3,257,382*	*8,211*	*8,493*	*2,663,978*	*6,028*	*6,089*	*2,370,988*
Of which: OTC - other	*4,514*	*3,919*	*148,629*	*5,484*	*3,627*	*134,690*	*4,294*	*2,932*	*159,521*

11. Non-trading financial assets mandatorily at fair value through profit or loss

The breakdown of the balance under this heading in the accompanying consolidated balance sheets is as follows:

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	2021	2020	2019
Equity instruments (*)	7.2.2	5,303	4,133	4,327
Debt securities	7.2.2	128	356	110
Loans and advances to customers	7.2.2	655	709	1,120
Total	**8.1**	**6,086**	**5,198**	**5,557**

(*) The variation in 2021 is mainly due to increased exposure to investment funds in Mexican insurance companies, as a result of increases in the volume of products and the evolution of investment activity in fintech companies.

12. Financial assets and liabilities designated at fair value through profit or loss

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)				
	Notes	**2021**	**2020**	**2019**
ASSETS				
Debt securities	7.2.2 / 8.1	1,092	1,117	1,214
LIABILITIES				
Customer deposits		809	902	944
Debt certificates issued		3,396	4,531	4,656
Other financial liabilities: Unit-linked products		5,479	4,617	4,410
Total liabilities	**8.1**	**9,683**	**10,050**	**10,010**

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 accompanying consolidated balance sheets is as follows:

Financial assets at fair value through other comprehensive income (Millions of Euros)				
	Notes	**2021**	**2020**	**2019**
Equity instruments	7.2.2	1,320	1,100	2,420
Debt securities (*)		59,074	68,308	58,731
Loans and advances to credit institutions	7.2.2	27	33	33
Total	**8.1**	**60,421**	**69,440**	**61,183**
Of which: loss allowances of debt securities		*(74)*	*(97)*	*(110)*

(*) The variation, in the last 3 years, corresponds mainly to changes in the portfolio of financial assets issued by governments in BBVA, S.A.

During financial years 2021, 2020 and 2019, there have been no significant reclassifications from the heading "Financial assets at fair value through other comprehensive income" to other headings or from other headings to "Financial assets at fair value through other comprehensive income".

13.2 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying consolidated financial statements as of December 31, 2021, 2020 and 2019 is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)

	2021				2020				2019			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Listed equity instruments												
Spanish companies shares	2,235	—	(1,146)	1,088	2,182	—	(1,309)	873	2,181	—	(507)	1,674
Foreign companies shares	98	35	(8)	125	100	38	(17)	121	136	87	(11)	213
The United States	*29*	*—*	*—*	*29*	*27*	*—*	*—*	*27*	*30*	*47*	*—*	*78*
Mexico	*1*	*28*	*—*	*29*	*1*	*33*	*—*	*34*	*1*	*33*	*—*	*34*
Turkey	*—*	*4*	*—*	*5*	*2*	*4*	*—*	*6*	*3*	*2*	*—*	*5*
Other countries	*69*	*2*	*(8)*	*63*	*70*	*1*	*(17)*	*54*	*102*	*5*	*(11)*	*96*
Subtotal listed equity instruments	**2,333**	**35**	**(1,154)**	**1,214**	**2,282**	**38**	**(1,326)**	**995**	**2,317**	**87**	**(518)**	**1,886**
Unlisted equity instruments												
Spanish companies shares	5	7	—	11	5	1	—	5	5	1	—	5
Foreign companies shares	55	41	(1)	95	58	43	(1)	100	450	79	(1)	528
The United States	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*387*	*32*	*—*	*419*
Mexico	*—*	*—*	*—*	*1*	*—*	*—*	*—*	*1*	*—*	*—*	*—*	*—*
Turkey	*3*	*—*	*—*	*3*	*5*	*—*	*—*	*5*	*5*	*4*	*—*	*9*
Other countries	*51*	*41*	*(1)*	*91*	*52*	*43*	*(1)*	*94*	*57*	*43*	*(1)*	*99*
Subtotal unlisted equity instruments	**60**	**48**	**(1)**	**107**	**62**	**44**	**(1)**	**105**	**454**	**80**	**(1)**	**533**
Total	**2,393**	**83**	**(1,155)**	**1,320**	**2,344**	**82**	**(1,327)**	**1,100**	**2,772**	**167**	**(519)**	**2,420**

13.3 Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying consolidated financial statements as of December 31, 2021, 2020 and 2019, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)

	2021				2020				2019			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities												
Government and other government agency	15,889	656	—	16,544	28,582	801	(16)	29,367	20,740	830	(20)	21,550
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	1,125	51	—	1,176	1,363	76	—	1,439	959	65	—	1,024
Other issuers	612	24	(1)	635	867	40	(1)	906	907	40	—	947
Subtotal	**17,625**	**731**	**(2)**	**18,355**	**30,811**	**917**	**(17)**	**31,712**	**22,607**	**935**	**(21)**	**23,521**
Foreign debt securities												
Mexico	**11,097**	**32**	**(359)**	**10,769**	**9,107**	**291**	**(3)**	**9,395**	**7,790**	**22**	**(26)**	**7,786**
Government and other government agency	10,467	21	(348)	10,141	8,309	271	(1)	8,579	6,869	18	(19)	6,868
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	120	3	(6)	118	113	5	—	118	77	2	—	78
Other issuers	509	7	(6)	510	685	15	(2)	698	843	2	(6)	840
Italy	**7,407**	**213**	**(12)**	**7,608**	**3,897**	**367**	**—**	**4,263**	**2,325**	**244**	**(2)**	**2,567**
Government and other government agency	7,274	212	(12)	7,474	3,789	366	—	4,154	2,193	244	(2)	2,435
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	47	—	—	47	48	—	—	48	52	—	—	52
Other issuers	86	1	—	87	60	1	—	61	80	1	—	81
Japan	**4,961**	**7**	**—**	**4,968**	**4,551**	**1**	**(3)**	**4,549**	**2,735**	**3**	**—**	**2,738**
Government and other government agency	4,906	7	—	4,913	4,492	—	(3)	4,489	2,691	3	—	2,694
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	18	—	—	18	—	—	—	—	—	—	—	—
Other issuers	36	1	—	37	59	1	—	60	43	—	—	44
The United States	**3,900**	**44**	**(18)**	**3,926**	**4,642**	**52**	**(3)**	**4,691**	**11,376**	**68**	**(51)**	**11,393**
Government and other government agency	1,754	7	(17)	1,744	2,307	9	(1)	2,315	8,570	42	(12)	8,599
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	114	2	—	116	186	3	—	188	122	2	—	124
Other issuers	2,032	35	(1)	2,065	2,149	40	(2)	2,187	2,684	24	(39)	2,670
Turkey	**2,888**	**199**	**(168)**	**2,920**	**3,456**	**90**	**(73)**	**3,473**	**3,752**	**38**	**(76)**	**3,713**
Government and other government agency	2,888	199	(168)	2,920	3,456	90	(73)	3,473	3,752	38	(76)	3,713
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
Other issuers	—	—	—	—	—	—	—	—	—	—	—	—
Other countries	**10,298**	**286**	**(55)**	**10,529**	**9,892**	**372**	**(39)**	**10,225**	**6,810**	**307**	**(104)**	**7,013**
Other foreign governments and government agency	2,488	115	(29)	2,574	2,177	136	(14)	2,300	2,079	137	(76)	2,140
Central banks	1,698	3	(5)	1,696	1,599	21	(8)	1,611	1,005	9	(4)	1,010
Credit institutions	2,306	92	(16)	2,382	2,468	116	(8)	2,576	1,743	109	(12)	1,840
Other issuers	3,807	76	(6)	3,877	3,648	99	(8)	3,738	1,983	52	(12)	2,023
Subtotal	**40,551**	**780**	**(612)**	**40,719**	**35,545**	**1,172**	**(120)**	**36,596**	**34,788**	**681**	**(259)**	**35,210**
Total	**58,176**	**1,511**	**(614)**	**59,074**	**66,356**	**2,089**	**(137)**	**68,308**	**57,395**	**1,617**	**(280)**	**58,731**

The credit ratings of the issuers of debt securities as of December 31, 2021, 2020 and 2019 are as follows:

Debt securities by rating

	2021		2020		2019	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%	Fair value (Millions of euros)	%
AAA	2,413	4.1%	4,345	6.4%	3,669	6.2%
AA+	586	1.0%	595	0.9%	7,279	12.4%
AA	646	1.1%	449	0.7%	317	0.5%
AA-	327	0.6%	406	0.6%	265	0.5%
A+	6,179	10.5%	5,912	8.7%	3,367	5.7%
A	1,676	2.8%	2,112	3.1%	12,895	22.0%
A-	18,760	31.8%	31,614	46.3%	10,947	18.6%
BBB+	11,465	19.4%	8,629	12.6%	9,946	16.9%
BBB	10,961	18.6%	4,054	5.9%	2,966	5.1%
BBB-	1,310	2.2%	5,116	7.5%	1,927	3.3%
BB+ or below	4,379	7.4%	4,731	6.9%	4,712	8.0%
Unclassified	372	0.6%	345	0.5%	441	0.8%
Total	**59,074**	**100.0%**	**68,308**	**100.0%**	**58,731**	**100.0%**

13.4 Gains/losses

The changes in the gains/losses (net of taxes) in December 31, 2021, 2020 and 2019 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 accompanying consolidated balance sheets are as follows:

Other comprehensive income - Changes in gains (losses) (Millions of Euros)

		Debt securities			Equity instruments		
	Notes	2021	2020	2019	2021	2020	2019
Balance at the beginning		**2,069**	**1,760**	**943**	**(1,256)**	**(403)**	**(155)**
Valuation gains and losses		(1,058)	489	1,267	183	(803)	(238)
Amounts transferred to income		(63)	(72)	(119)	—		
Amounts transferred to Reserves					—	(73)	—
Income tax and other		325	(107)	(331)	(7)	23	(10)
Balance at the end	**30**	**1,274**	**2,069**	**1,760**	**(1,079)**	**(1,256)**	**(403)**

In 2021, the debt securities presented an impairment amounting to €17 million in 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” in the accompanying consolidated income statement (see Note 47).

In 2020, debt securities presented an impairment amounting to €19 million in 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” in the accompanying consolidated income statement (see Note 47)

In 2019, debt securities presented an impairment amounting to €82 million in 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” in the accompanying consolidated income statement (see Note 47) as a result of the decrease in the rating of debt securities in Argentina during the last quarter of 2019.

In 2021 and 2020, equity instruments presented an increase of €183 million and a decrease of €803 million, respectively, in the heading “Gains and losses from valuation - Accumulated other comprehensive income - Items that will not be reclassified to profit and loss - Fair value changes of equity instruments measured at fair value through other comprehensive income”, mainly due to the Telefónica quotation.

14. Financial assets at amortized cost

14.1 Breakdown of the balance

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the nature of the financial instrument, is as follows:

Financial assets at amortized cost (Millions of Euros)	Notes	2021	2020	2019
Debt securities		**34,781**	**35,737**	**38,877**
Central banks		15	—	—
Government		32,130	28,727	31,526
Credit institutions		817	783	719
Other financial corporations		525	5,027	5,254
Non-financial corporations		1,295	1,200	1,379
Loans and advances to central banks		**5,681**	**6,209**	**4,275**
Loans and advances to credit institutions		**13,276**	**14,575**	**13,649**
Reverse repurchase agreements		2,788	1,914	1,817
Other loans and advances		10,488	12,661	11,832
Loans and advances to customers (*)	**7.2.2**	**318,939**	**311,147**	**382,360**
Government		19,682	19,391	28,222
Other financial corporations		9,804	9,817	11,207
Non-financial corporations		140,993	136,424	166,789
Other		148,461	145,515	176,142
Total	**8.1**	**372,676**	**367,668**	**439,162**
Of which: impaired assets of loans and advances to customers	*7.2.2*	*14,657*	*14,672*	*15,954*
Of which: loss allowances of loans and advances	*7.2.5*	*(11,142)*	*(12,141)*	*(12,427)*
Of which: loss allowances of debt securities		*(52)*	*(48)*	*(52)*

(*) The variation in 2020 corresponds mainly to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

During financial years 2021, 2020 and 2019, there have been no significant reclassifications from the heading "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

14.2 Debt securities

The breakdown of the balance under the heading "Debt securities" in the accompanying consolidated balance sheets, according to the issuer of the debt securities, is as follows:

Financial assets at amortized cost. Debt securities. (Millions of Euros)

	2021				2020				2019			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities												
Government and other government agencies	17,693	1,326	(7)	19,013	13,656	1,212	—	14,868	12,755	630	(21)	13,363
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—	26	—	—	26
Other issuers	337	10	(6)	341	4,835	59	(7)	4,887	4,903	38	(10)	4,931
Subtotal	**18,031**	**1,336**	**(13)**	**19,353**	**18,492**	**1,271**	**(7)**	**19,756**	**17,684**	**668**	**(31)**	**18,320**
Foreign debt securities												
Mexico	**8,464**	**182**	**(138)**	**8,508**	**7,771**	**534**	**(16)**	**8,289**	**6,374**	**168**	**(18)**	**6,525**
Government and other government agencies	7,669	170	(131)	7,708	6,963	479	—	7,442	5,576	166	—	5,742
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	614	11	—	625	632	55	—	687	526	2	—	529
Other issuers	181	1	(7)	175	176	—	(16)	160	272	—	(18)	254
The United States	**93**	**—**	**—**	**93**	**52**	**—**	**(26)**	**26**	**6,125**	**111**	**(20)**	**6,217**
Government and other government agencies	10	—	—	10	14	—	—	14	5,690	111	(18)	5,783
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	26	—	—	26	23	—	(16)	7	25	—	(1)	25
Other issuers	57	—	—	57	15	—	(10)	5	410	—	(1)	409
Turkey	**2,634**	**143**	**(95)**	**2,682**	**3,628**	**95**	**(25)**	**3,698**	**4,113**	**48**	**(65)**	**4,097**
Government and other government agencies	2,628	143	(95)	2,676	3,621	95	(25)	3,691	4,105	47	(65)	4,088
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	5	—	—	5	6	—	—	6	7	1	—	8
Other issuers	—	—	—	—	1	—	—	1	1	—	—	1
Other countries	**5,559**	**289**	**(37)**	**5,812**	**5,795**	**505**	**(1)**	**6,299**	**4,581**	**82**	**(26)**	**4,637**
Other foreign governments and other government agency	4,144	257	(28)	4,374	4,473	467	(1)	4,939	3,400	82	(22)	3,459
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	171	—	—	171	122	—	—	122	135	—	—	135
Other issuers	1,243	32	(9)	1,267	1,200	38	—	1,238	1,047	—	(4)	1,043
Subtotal	**16,750**	**614**	**(270)**	**17,094**	**17,245**	**1,134**	**(68)**	**18,311**	**21,194**	**409**	**(129)**	**21,476**
Total	**34,781**	**1,950**	**(284)**	**36,447**	**35,737**	**2,405**	**(75)**	**38,067**	**38,877**	**1,077**	**(160)**	**39,796**

As of December 31, 2021, 2020 and 2019, 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

	2021		2020		2019	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	143	0.4 %	151	0.4 %	39	0.1 %
AA+	77	0.2 %	74	0.2 %	6,481	16.7 %
AA	76	0.2 %	64	0.2 %	14	— %
AA-	69	0.2 %	48	0.1 %	713	1.8 %
A+	62	0.2 %	42	— %	—	— %
A	619	1.8 %	590	1.7 %	16,806	43.2 %
A-	16,312	46.9 %	16,736	46.8 %	607	1.6 %
BBB+	9,336	26.8 %	7,919	22.2 %	3,715	9.6 %
BBB	3,853	11.1 %	942	2.6 %	551	1.4 %
BBB-	527	1.5 %	4,499	12.6 %	3,745	9.6 %
BB+ or below	3,120	9.0 %	3,928	11.0 %	5,123	13.2 %
Unclassified	587	1.7 %	743	2.1 %	1,083	2.8 %
Total	**34,781**	**100.0 %**	**35,737**	**100.0 %**	**38,877**	**100.0 %**

14.3 Loans and advances to customers

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to their nature, is as follows:

Loans and advances to customers (Millions of Euros)

	2021	2020	2019
On demand and short notice	3,161	2,835	3,050
Credit card debt	14,030	13,093	16,354
Trade receivables	19,524	15,544	17,276
Finance leases	7,911	7,650	8,711
Reverse repurchase agreements	23	71	26
Other term loans	268,047	267,031	332,160
Advances that are not loans	6,243	4,924	4,784
Total	**318,939**	**311,147**	**382,360**

The heading “Financial assets at amortized cost – Loans and advances to customers” in the accompanying consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage covered bonds.

The following table sets forth a breakdown of the gross carrying amount "Loans and advances to customers" with maturity greater than one year by fixed and variable rate as of December 31, 2021, 2020 and 2019:

Loans and advances maturing in more than one year by fixed and variable rate (Millions of Euros)

	2021			2020			2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Fixed rate	56,756	62,228	118,984	46,104	66,444	112,548	55,920	68,915	124,835
Variable rate	75,544	44,237	119,781	86,710	41,452	128,162	79,329	97,765	177,095
Total	**132,300**	**106,465**	**238,765**	**132,814**	**107,895**	**240,710**	**135,249**	**166,680**	**301,929**

As of December 31, 2021, 2020 and 2019, 50%, 47% and 41%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 50%, 53% and 59%, respectively, have variable interest rates.

This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)	2021	2020	2019
Securitized mortgage assets	23,695	23,953	26,169
Other securitized assets	6,547	6,144	4,249
Total	**30,242**	**30,098**	**30,418**

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 accompanying 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)	2021	2020	2019
ASSETS			
Derivatives - Hedge accounting	1,805	1,991	1,729
Fair value changes of the hedged items in portfolio hedges of interest rate risk	5	51	28
LIABILITIES			
Derivatives - Hedge accounting	2,626	2,318	2,233
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—	—

As of December 31, 2021, 2020 and 2019, 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 financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange, interest-rate swaps, inflation and FRA (Forward Rate Agreement).

- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 7 analyzes the Group's main risks that are hedged using these financial instruments.

The details of the net positions by hedged risk of the fair value of the hedging derivatives recognized in the accompanying consolidated balance sheets are as follows:

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge (Millions of Euros)

	2021		2020		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate	**697**	**322**	**989**	**525**	**920**	**488**
OTC	697	322	989	525	920	488
Organized market	—	—	—	—	—	—
Equity	**—**	**—**	**—**	**—**	**—**	**3**
OTC	—	—	—	—	—	3
Organized market	—	—	—	—	—	—
Foreign exchange and gold	**463**	**135**	**435**	**350**	**420**	**316**
OTC	463	135	435	350	420	316
Organized market	—	—	—	—	—	—
Credit	—	—	—	—	—	—
Commodities	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
FAIR VALUE HEDGES	**1,160**	**457**	**1,424**	**874**	**1,341**	**808**
Interest rate	**228**	**1,786**	**154**	**1,055**	**224**	**850**
OTC	226	1,786	154	1,041	224	839
Organized market	2	—	—	15	—	11
Equity	—	—	—	—	—	—
Foreign exchange and gold	**180**	**79**	**225**	**55**	**115**	**18**
OTC	180	79	225	50	115	18
Organized market	—	—	—	5	—	—
Credit	—	—	—	—	—	—
Commodities	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
CASH FLOW HEDGES	**408**	**1,865**	**379**	**1,111**	**339**	**868**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**198**	**196**	**166**	**139**	**12**	**242**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**18**	**95**	**18**	**170**	**37**	**216**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**21**	**13**	**3**	**23**	**1**	**99**
DERIVATIVES-HEDGE ACCOUNTING	**1,805**	**2,626**	**1,991**	**2,318**	**1,729**	**2,233**
of which: OTC - credit institutions	*1,454*	*2,248*	*1,718*	*1,965*	*1,423*	*1,787*
of which: OTC - other financial corporations	*349*	*378*	*273*	*333*	*306*	*426*

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		Remaining adjustments for discontinued micro hedges including hedges of net positions		Hedged items in portfolio hedge of interest rate risk	
	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Financial assets measured at fair value through other comprehensive income	**20,333**	**28,091**	**(52)**	**(99)**	**11**	**12**	**—**	**—**
Interest rate	20,285	28,059						
Other	49	33						
Financial assets measured at amortized cost	**8,273**	**11,177**	**168**	**386**	**5**	**3**	**1,997**	**2,500**
Interest rate	8,270	11,177						
Foreign exchange and gold	2	—						
LIABILITIES								
Financial liabilities measured at amortized costs	**24,567**	**23,546**	**(690)**	**(576)**	**—**	**2**	**—**	**—**
Interest rate	24,563	23,543						
Foreign exchange and gold	5	3						

The following is the breakdown, by their notional maturities, of the hedging instruments as of December 31, 2021:

Calendar of the notional maturities of the hedging instruments (Millions of Euros)

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
FAIR VALUE HEDGES	**2,820**	**8,467**	**28,506**	**13,615**	**53,409**
Of which: Interest rate	2,807	8,360	27,239	13,615	52,021
CASH FLOW HEDGES	**195**	**3,346**	**36,410**	**4,381**	**44,332**
Of which: Interest rate	—	2,713	34,787	4,381	41,882
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**2,241**	**2,617**	**—**	**—**	**4,857**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**175**	**647**	**1,258**	**1,108**	**3,187**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**171**	**428**	**851**	**132**	**1,583**
DERIVATIVES-HEDGE ACCOUNTING	**5,602**	**15,505**	**67,024**	**19,236**	**107,368**

In 2021, 2020 and 2019, there was no reclassification in the accompanying 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 December 31, 2021, 2020 and 2019 were not material.

IBOR Reform

The transition from IBOR indices to the new risk free rates (RFR) (see Note 2.3) may cause uncertainty about the future of some references or its impact on the contracts held by an entity, which could cause uncertainty about the term or the amounts of the cash flows of the hedged instrument or the hedging instrument. Due to such uncertainties, in the period before the benchmark rate reform actually takes place, some entities may be forced to discontinue hedge accounting, or not be able to designate new hedging relationships. To avoid this, the IASB made a series of transitory amendments to IFRS 9, IAS 39 and IFRS 7 providing temporary exceptions to the application of certain specific hedge accounting requirements that are applicable to all hedging relationships that are affected by the uncertainty derived from the IBOR Reform. These exceptions should end once the uncertainty is resolved (rates to be modified according to the new RFRs) or the hedge ceases to exist.

The nominal amount of the hedging instruments for hedging relationships directly affected by the IBOR reform as of December 31, 2021 is the following:

Hedges affected by the IBOR reform (Millions of Euros)

	LIBOR USD	LIBOR GBP	Other	Total
Cash flow hedges	1,056	—	—	1,056
Fair value hedges	7,939	389	583	8,910

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 accompanying consolidated balance sheets is as follows:

Joint ventures and associates. Breakdown by entities (Millions of Euros)

Joint ventures	2021	2020	2019
Altura Markets, S.V., S.A.	76	77	73
RCI Colombia	40	36	37
Desarrollo Metropolitanos del Sur, S.L.	18	17	14
Other	18	19	30
Subtotal	**152**	**149**	**154**
Associates			
Divarian Propiedad, S.A.U.	—	567	630
Metrovacesa, S.A.	259	285	443
BBVA Allianz Seguros y Reaseguros, S.A.	254	250	—
ATOM Bank PLC	77	64	136
Solarisbank AG	61	39	36
Cofides	28	25	23
Redsys servicios de procesamiento, S.L.	19	14	14
Servicios Electrónicos Globales S.A. de CV	15	11	11
Other	35	33	41
Subtotal	**749**	**1,288**	**1,334**
Total	**900**	**1,437**	**1,488**

Details of the joint ventures and associates as of December 31, 2021 are shown in Appendix II.

The following is a summary of the changes in the years ended December 31, 2021, 2020 and 2019 under this heading in the accompanying consolidated balance sheets:

Joint ventures and associates. Changes in the year (Millions of Euros)

	Notes	2021	2020	2019
Balance at the beginning		**1,437**	**1,488**	**1,578**
Acquisitions and capital increases		22	257	161
Disposals and capital reductions		(1)	(47)	(149)
Transfers and changes of consolidation method		(559)	(7)	(27)
Share of profit and loss	39	1	(39)	(42)
Exchange differences		9	(27)	10
Dividends, valuation adjustments and others		(9)	(188)	(43)
Balance at the end		**900**	**1,437**	**1,488**

During the year 2021, the most significant changes in the heading “Investment in joint ventures and associates” correspond to the reclassification of the 20% stake in Divarian Property, S.A.U. under the heading "Non-current assets and disposal groups classified as held for sale" in July 2021 and their subsequent sale in October 2021 (see Note 21).

During the year 2020, the most significant changes in the heading “Investments in joint ventures and associates” correspond to changes in the valuation of Metrovacesa and BBVA Allianz Seguros y Reaseguros, S.A.

During the year 2019, there was no significant change in the heading “Investment in joint ventures and associates”.

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, 2021, 2020 and 2019 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, 2021, 2020 and 2019 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, 2021, there was no impairment recorded in the Group’s consolidated income statement. For the year ended December 31, 2020, €190 million were recorded due to impairment and for the year ended December 31, 2019, €46 million (see Note 48).

17. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying 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 2021 (Millions of Euros)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset: Own use	Right to use asset: 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		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(112)	(8)	(29)	(34)	35	1	—	(147)
Exchange difference and other		29	(7)	(79)	(44)	—	(54)	(78)	(233)
Balance at the end		**4,350**	**67**	**5,388**	**3,154**	**162**	**147**	**267**	**13,535**
Accrued depreciation									
Balance at the beginning		**833**	**—**	**3,859**	**582**	**27**	**16**	**54**	**5,371**
Additions	45	79	—	358	284	15	4	—	740
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		(19)	—	(259)	(16)	—	(4)	—	(298)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(23)	—	(17)	(5)	5	1	—	(39)
Exchange difference and other		30	—	(108)	(34)	—	—	(21)	(134)
Balance at the end		**900**	**—**	**3,833**	**811**	**47**	**17**	**33**	**5,641**
Impairment									
Balance at the beginning		**149**	**—**	**—**	**274**	**26**	**34**	**—**	**483**
Additions (*)	49	—	—	1	151	8	1	—	161
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(24)	—	17	—	—	2	—	(5)
Exchange difference and other		(11)	—	(18)	2	—	(16)	—	(43)
Balance at the end		**114**	**—**	**—**	**427**	**34**	**21**	**—**	**596**
Net tangible assets									
Balance at the beginning		**3,398**	**52**	**1,656**	**2,205**	**70**	**151**	**291**	**7,823**
Balance at the end		**3,336**	**67**	**1,555**	**1,916**	**81**	**109**	**234**	**7,298**

(*) In 2021, it includes allowances on right of use of the rented offices after the agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 24 and 49).

Tangible assets: Breakdown by type of assets and changes in the year 2020 (Millions of Euros)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset		Investment properties	Assets leased out under an operating lease	Total
					Own use	Investment properties			
Cost									
Balance at the beginning		**6,001**	**56**	**6,351**	**3,516**	**101**	**216**	**337**	**16,578**
Additions		157	54	255	183	—	2	—	651
Retirements		(10)	(23)	(294)	(157)	(3)	(11)	—	(498)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale (*)		(925)	(31)	(366)	(294)	—	—	—	(1,616)
Transfers		(248)	(2)	(5)	(60)	25	18	—	(272)
Exchange difference and other		(595)	(2)	(426)	(127)	—	(24)	8	(1,166)
Balance at the end		**4,380**	**52**	**5,515**	**3,061**	**123**	**201**	**345**	**13,677**
Accrued depreciation									
Balance at the beginning		**1,253**	**—**	**4,344**	**370**	**11**	**15**	**74**	**6,067**
Additions	45	83	—	370	312	12	3	1	781
Additions transfer to discontinued operations (*)		24	—	20	32	—	—	—	76
Retirements		(2)	—	(248)	(10)	—	—	—	(260)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale (*)		(373)	—	(321)	(71)	—	—	—	(765)
Transfers		(42)	—	(12)	(9)	4	1	—	(58)
Exchange difference and other		(110)	—	(294)	(42)	—	(3)	(21)	(470)
Balance at the end		**833**	**—**	**3,859**	**582**	**27**	**16**	**54**	**5,371**
Impairment									
Balance at the beginning		**212**	**—**	**—**	**191**	**14**	**26**	**—**	**443**
Additions	49	18	—	26	68	12	1	—	125
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale (*)		(8)	—	—	—	—	—	—	(8)
Transfers		(68)	—	—	10	—	7	—	(51)
Exchange difference and other		(5)	—	(26)	5	—	—	—	(26)
Balance at the end		**149**	**—**	**—**	**274**	**26**	**34**	**—**	**483**
Net tangible assets									
Balance at the beginning		**4,536**	**56**	**2,007**	**2,955**	**76**	**175**	**263**	**10,068**
Balance at the end		**3,398**	**52**	**1,656**	**2,205**	**70**	**151**	**290**	**7,823**

(*) Amount is mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

Tangible assets. Breakdown by type of assets and changes in the year 2019 (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		**5,939**	**70**	**6,314**	**—**	**—**	**201**	**386**	**12,910**
Additions		90	63	335	3,574	101	12	—	4,175
Retirements		(44)	(20)	(302)	(57)	—	(10)	—	(433)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(41)	(51)	(8)	(1)	—	13	—	(88)
Exchange difference and other		57	(6)	12	—	—	—	(49)	14
Balance at the end		**6,001**	**56**	**6,351**	**3,516**	**101**	**216**	**337**	**16,578**
Accrued depreciation									
Balance at the beginning		**1,138**	**—**	**4,212**	**—**	**—**	**11**	**76**	**5,437**
Additions	45	92	—	431	338	11	4	—	876
Additions transfer to discontinued operations (*)		34	—	26	43	—	—	—	103
Retirements		(38)	—	(255)	(3)	—	—	—	(296)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(16)	—	(13)	(1)	—	—	—	(30)
Exchange difference and other		43	—	(57)	(7)	—	—	(2)	(23)
Balance at the end		**1,253**	**—**	**4,344**	**370**	**11**	**15**	**74**	**6,067**
Impairment									
Balance at the beginning		**217**	**—**	**—**	**—**	**—**	**27**	**—**	**244**
Additions	49	14	—	20	60	—	—	—	94
Retirements		(3)	—	—	—	—	—	—	(3)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(16)	—	—	127	14	(4)	—	121
Exchange difference and other		—	—	(20)	4	—	3	—	(13)
Balance at the end		**212**	**—**	**—**	**191**	**14**	**26**	**—**	**443**
Net tangible assets		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
		—	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at the beginning		**4,584**	**70**	**2,102**	**—**	**—**	**163**	**310**	**7,229**
Balance at the end		**4,536**	**56**	**2,007**	**2,955**	**76**	**175**	**263**	**10,068**

(*) Amount is mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches located in the countries where the Group operates whose average term is between 5 and 20 years. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented.

As of December 31, 2021, 2020 and 2019, the cost of fully amortized tangible assets that remained in use were €2,318, €2,299 and €2,658 million respectively while its recoverable residual value was not significant.

As of December 31, 2021, 2020 and 2019 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 location (number of branches)

	2021	2020	2019
Spain (*)	1,895	2,482	2,642
Mexico	1,716	1,746	1,860
South America	1,434	1,514	1,530
The United States (**)	—	639	643
Turkey	1,006	1,021	1,038
Rest	32	30	31
Total	**6,083**	**7,432**	**7,744**

(*) In 2021, the variation is mainly due to the closing of rented branches after the agreement with the union representatives on the collective layoff procedure that is being carried out at Banco Bilbao Vizcaya Argentaria, S.A (see Notes 24 and 49).
(**) In 2021, the variation is mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

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, 2021, 2020 and 2019:

Tangible assets by Spanish and foreign subsidiaries. Net assets values (Millions of euros)

	2021 (*)	2020 (**)	2019
BBVA and Spanish subsidiaries	3,873	4,294	4,865
Foreign subsidiaries	3,425	3,529	5,203
Total	**7,298**	**7,823**	**10,068**

(*) The variation in 2021 is mainly due to the reclassification of owned offices and facilities from "Tangible assets" to "Non-current assets and disposal groups classified as held for sale" (see Notes 21, 24 and 50).

(**) The variation in 2020 is mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21), whose owned offices and facilities were reclassified from "Tangible assets" to "Non-current assets and disposal groups classified as held for sale" .

18. Intangible assets

18.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the CGU to which goodwill has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the year (Millions of Euros)

	The United States (*)	Mexico	Turkey	Colombia	Chile	Other	Total
Balance as of December 31, 2018	**5,066**	**519**	**382**	**161**	**29**	**23**	**6,180**
Additions	—	—	—	—	—	—	—
Exchange difference	98	31	(36)	3	(2)	(1)	93
Impairment	(1,318)	—	—	—	—	—	(1,318)
Other	—	—	—	—	—	—	—
Balance as of December 31, 2019	**3,846**	**550**	**346**	**164**	**27**	**22**	**4,955**
Additions	—	—	—	—	—	—	—
Exchange difference	(22)	(72)	(92)	(21)	—	(1)	(208)
Impairment	(2,084)	—	—	—	—	(13)	(2,097)
Companies held for sale	(1,740)	—	—	—	—	—	(1,740)
Other	—	—	—	—	—	—	—
Balance as of December 31, 2020	**—**	**478**	**254**	**143**	**27**	**8**	**910**
Additions	—	—	—	—	—	—	—
Exchange difference	—	26	(102)	(9)	(3)	—	(88)
Impairment	—	—	—	—	—	(4)	(4)
Companies held for sale	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Balance as of December 31, 2021	**—**	**504**	**152**	**134**	**24**	**4**	**818**

(*) Since the USA sale agreement, the United States is no longer considered a CGU (see Note 3).

Goodwill in business combinations

There were no significant business combinations during 2021, 2020 and 2019.

Impairment Test

As mentioned in Note 2.2.8, 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. Additionally, the valuation of the goodwill of the CGU of Turkey has been reviewed by independent experts (not the Group's external auditors).

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, 2021, 2020 and 2019 are as follows:

Impairment test assumptions CGU goodwill in Mexico

	2021	2020	2019
Discount rate (*)	14.5%	15.3%	14.8%
Growth rate	5.7%	5.7%	5.9%

(*) After tax discount rates.

In accordance with paragraph 33.c of IAS 36, as of December 31, 2021, the Group used a growth rate of 5.7% 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. Below, in a simplified way, is shown the increased (or decreased) amount of the CGU recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions, considered in isolation as of December 31, 2021, where, in each case, the value in use would continue to exceed their book value:

Sensitivity analysis for main assumptions - Mexico (Millions of Euros)

	Increase of 50 basis points (*)	Decrease of 50 basis points (*)
Discount rate	(1,709)	1,913
Growth rate	1,194	(1,067)

(*)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

The main significant assumptions used in the impairment test of the CGU of Turkey as of December 31, 2021, 2020 and 2019 are:

Impairment test assumptions CGU goodwill in Turkey

	2021	2020	2019
Discount rate (*)	27.7%	21.0%	17.4%
Growth rate	7.0%	7.0%	7.0%

(*) After tax discount rates.

Given the potential growth of the sector in Turkey, in accordance with paragraph 33.c of IAS 36, as of December 31, 2021, 2020 and 2019 the Group used a steady growth rate of 7% based on the real GDP growth rate of Turkey and expected inflation.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the growth rate. Below, in a simplified way, is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions, considered in isolation as of December 31, 2021, where, in any case, the value in use would continue to exceed their book value:

Sensitivity analysis for main assumptions - Turkey (Millions of Euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(84)	88
Growth rate	14	(13)

(*) 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.

Considering the uncertainty caused by the current economic situation, the Group has carried out additional sensitivities on other variables such as the net interest income, the cost of risk, the efficiency ratio and loans and the advances to customers growth forecasts. No required modifications to the result of the impairment test on the CGU were identified.

Goodwill - The United States CGU

Since the USA sale, the United States in 2021 is no longer considered a CGU (see Note 3).

As of March 31, 2020, the Group identified an indicator of impairment of goodwill in the United States CGU and as a result of the goodwill impairment test, the Group estimated impairment in the United States CGU of €2,084 million, which was mainly due to the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic and the expected evolution of interest rates. This recognition did not affect the tangible book value or the liquidity nor the solvency ratio of the BBVA Group.

As of December 31, 2019, the Group estimated impairment losses in the United States CGU of €1,318 million, which was mainly as a result of the negative evolution of interest rates, especially in the second half of the year, which accompanied by the slowdown of the economy caused the expected evolution of results to be below the previous estimation. This recognition did not affect the tangible book value nor the liquidity or the solvency ratio of the BBVA Group.

The main significant assumptions used in the impairment test of this CGU as of March 31, 2020 and December 31, 2019 were as follows:

Impairment test assumptions CGU goodwill - United States

	2020	2019
Discount rate (*)	10.3%	10.0%
Growth rate	3.0%	3.5%

(*) After tax discount rates.

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 accompanying consolidated balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)

	2021	2020	2019
Computer software acquisition expense	1,239	1,202	1,598
Other intangible assets with an infinite useful life	12	12	11
Other intangible assets with a definite useful life	128	221	401
Total	**1,379**	**1,435**	**2,010**

The changes of this heading during the years ended December 31, 2021, 2020 and 2019, are as follows:

Other intangible assets (Millions of Euros)

	Notes	Computer software			Other intangible assets			Total of intangible assets		
		2021	2020	2019	2021	2020	2019	2021	2020	2019
Balance at the beginning		**1,202**	**1,598**	**1,605**	**233**	**412**	**529**	**1,435**	**2,010**	**2,134**
Additions		470	452	525	—	8	8	470	460	533
Amortization in the year	45	(446)	(448)	(447)	(48)	(59)	(63)	(494)	(507)	(510)
Amortization transfer to discontinued operations (*)		—	(77)	(106)	—	(3)	(4)	—	(80)	(110)
Exchange differences and other		29	(38)	32	(45)	(91)	(58)	(16)	(129)	(25)
Impairment		(15)	(6)	(11)	—	—	(1)	(15)	(6)	(12)
Decreases by companies held for sale (*)		—	(279)	—	—	(34)	—	—	(313)	—
Balance at the end		**1,239**	**1,202**	**1,598**	**140**	**233**	**412**	**1,379**	**1,435**	**2,010**

(*) Amount is mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

As of December 31, 2021, 2020 and 2019, the cost of fully amortized intangible assets that remained in use were €2,992 million, €2,622 million and €2,702 million respectively, while their recoverable value was not significant.

19. Tax assets and liabilities

19.1 Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

19.2 Years open for review by the tax authorities

At the date of preparation of these financial statements, the BBVA consolidated tax group in Spain has 2017 and subsequent years subject to inspection, with respect to the main taxes applicable to it.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

In relation to the consolidated tax group BBVA in Spain, in the year 2021, as a result of the inspection activities of the tax authorities, inspection reports have been issued for the years 2014 to 2016, and have been agreed upon, except for those corresponding to the year 2016 in relation to which a partial disagreement has been expressed. The reports that have been agreed upon have become final as of the date of preparation of these financial statements.

On the other hand, in relation to the main jurisdictions in which the Group is present and carries out its activity, in the case of Mexico, BBVA México S.A., is currently under inspection by the Mexican Tax Authorities for the years 2016 and 2017 corresponding to Corporate Income Tax and Value Added Tax.

In addition, in the case of Turkey, the head entity in this country, Garanti BBVA A.S., is currently under inspection by the Tax Authorities of that country for all the taxes applicable to it corresponding to the years 2017 and 2018.

The conclusion of the previous inspections did not have a material impact on the Consolidated Financial Statements as a whole.

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 accompanying 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 accompanying 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)

	2021		2020		2019	
	Amount	Effective tax %	Amount	Effective tax %	Amount	Effective tax %
Profit or (-) loss before tax	**8,399**		**3,576**		**6,398**	
From continuing operations	*7,247*		*5,248*		*7,046*	
From discontinued operations	*1,152*		*(1,672)*		*(648)*	
Taxation at Spanish corporation tax rate 30%	2,519		1,073		1,920	
Lower effective tax rate from foreign entities (*)	(332)		(181)		(381)	
Mexico	*(109)*	*27%*	*(32)*	*29%*	*(112)*	*27%*
Chile	*(5)*	*22%*	*(2)*	*23%*	*(2)*	*27%*
Colombia	*—*	*30%*	*3*	*31%*	*6*	*32%*
Peru	*5*	*31%*	*(7)*	*28%*	*(12)*	*28%*
Turkey	*(125)*	*23%*	*(73)*	*25%*	*(86)*	*23%*
USA	*(62)*	*19%*	*(75)*	*16%*	*(97)*	*17%*
Others	*(36)*		*5*		*(78)*	
Revenues with lower tax rate (dividends/capital gains)	(30)		(49)		(49)	
Equity accounted earnings	—		12		18	
USA Sale effect	544		—		—	
Other effects (**)	80		661		545	
Income tax	**2,781**		**1,516**		**2,053**	
Of which: Continuing operations	*1,909*		*1,459*		*1,943*	
Of which: Discontinued operations	*872*		*57*		*110*	

(*) 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.

(**) In 2020 and 2019, related mainly to the impact of the goodwill impairment of the United States' CGU that amounted to €2,084 and €1,318 million respectively. These impacts did not have associated any Corporate Income Tax (CIT) expense credit (once the 30% tax rate is applied, the effect amounted to €625 and €395 million, respectively)..

The effective income tax rate for the Group in the years ended December 31, 2021, 2020 and 2019 is as follows:

Effective tax rate (Millions of Euros)

	2021	2020	2019
Income from:			
Consolidated tax group in Spain	655	259	(718)
Other Spanish entities	5	7	7
Foreign entities	6,587	4,982	7,757
Gains (losses) before taxes from continuing operations	**7,247**	**5,248**	**7,046**
Tax expense or income related to profit or loss from continuing operations	1,909	1,459	1,943
Effective tax rate	**26.3%**	**27.8%**	**27.6%**

In the year 2021, the changes in the nominal tax rate, with respect to those existing in the previous year, in the main countries in which the Group is present, have been as follows: in Turkey (from 22% to 25%), in Argentina (from 30% to 35%) and in Colombia (from 36% to 34%). In 2020, in general terms, there were no changes in the nominal tax rate with respect to those existing in the previous period, except in the case of Colombia where the applicable tax rate was 36% compared to the 33% which was applicable as of the end of the previous year.

19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the accompanying 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)

	2021	2020	2019
Charges to total equity			
Debt securities and others	(174)	(230)	(130)
Equity instruments	(33)	(43)	(40)
Total	**(207)**	**(273)**	**(170)**

19.5 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes current and deferred tax assets. The balance under the "Tax liabilities" heading includes 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)

	2021	2020	2019
Tax assets			
Current tax assets	932	1,199	1,765
Deferred tax assets	14,917	15,327	15,318
Pensions	*416*	*439*	*456*
Financial Instruments	*1,408*	*1,292*	*1,386*
Loss allowances	*1,676*	*1,683*	*1,636*
Other	*1,101*	*1,069*	*1,045*
Secured tax assets	*9,304*	*9,361*	*9,363*
Tax losses	*1,012*	*1,483*	*1,432*
Total	**15,850**	**16,526**	**17,083**
Tax liabilities			
Current tax liabilities	644	545	880
Deferred tax liabilities	1,769	1,809	1,928
Financial Instruments	*1,124*	*908*	*1,014*
Other	*645*	*901*	*914*
Total	**2,413**	**2,355**	**2,808**

The most significant variations of the deferred tax assets and liabilities in the years 2021, 2020 and 2019 were derived from the following items:

Deferred tax assets and liabilities. Annual variations (Millions of Euros)

	2021		2020		2019	
	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities
Balance at the beginning	**15,327**	**1,809**	**15,318**	**1,928**	**15,316**	**2,046**
Pensions	(23)	—	(17)	—	51	—
Financials instruments	116	216	(94)	(106)	(15)	(122)
Loss allowances	(7)	—	47	—	261	—
Others	32	(256)	24	(13)	(247)	4
Guaranteed tax assets	(57)	—	(2)	—	—	—
Tax losses	(471)	—	51	—	(48)	—
Balance at the end	**14,917**	**1,769**	**15,327**	**1,809**	**15,318**	**1,928**

With respect to the changes in deferred tax assets and liabilities in 2021 contained in the above table, the following should be pointed out:

- Guaranteed tax assets decrease because, in fiscal year 2021, the tax Group in Spain generated positive taxable income and, therefore, offsets guaranteed tax assets. However, the decrease has been partially offset by the increase in guaranteed tax assets that have been generated as a result of the closing of the inspection process for fiscal years 2014-2016.

- The decrease in tax assets due to tax losses occurred because, in 2021, the tax Group in Spain generated positive taxable income and, therefore, offsets tax loss carryforwards and deductions.

- The evolution of deferred tax assets (other than those guaranteed and those linked to tax losses) net of deferred tax liabilities is due to the effect of exchange rates, especially in the case of Mexico and Turkey, and the operation of corporate income tax, where the differences between accounting and taxation give rise to constant movements in deferred taxes.

On the deferred tax assets and liabilities contained in the table above, those included in section 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, 2021, 2020 and 2019, 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 accompanying consolidated balance sheets, amounted to €93, €106 and €473 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)	2021	2020	2019
Pensions	1,759	1,924	1,924
Loss allowances	7,545	7,437	7,439
Total	**9,304**	**9,361**	**9,363**

As of December 31, 2021, non-guaranteed net deferred tax assets of the above table amounted to €3,844 million (€4,156 and €4,027 million as of December 31, 2020 and 2019, respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,342 million as of December 31, 2021 (€2,590 and €2,447 million as of December 31, 2020 and 2019, respectively). €1,010 million of the figure recorded in the year ended December 31, 2021 for net deferred tax assets related to tax credits and tax loss carry forwards and €1,332 million relate to temporary differences.

- Mexico: Net deferred tax assets recognized in Mexico amounted to €1,121 million as of December 31, 2021 (€1,036 and €1,083 million as of December 31, 2020 and 2019, respectively). Practically all of deferred tax assets as of December 31, 2021 relate to temporary differences.

- South America: Net deferred tax assets recognized in South America amounted to €65 million as of December 31, 2021 (€126 and €84 million as of December 31, 2020 and 2019, respectively). Practically all the deferred tax assets are related to temporary differences.

- Turkey: Net deferred tax assets recognized in Turkey amounted to €302 million as of December 31, 2021 (€395 and €278 million as of December 31, 2020 and 2019, respectively). All the deferred tax assets are related to temporary differences.

Based on the information available as of December 31, 2021, 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 taking into account the impact of COVID-19 pandemic (see Note 1.5). It is considered that there is sufficient positive evidence, in excess of the negative evidence, that sufficient positive taxable income will be generated for the recovery of the aforementioned unsecured deferred tax assets when they become deductible in accordance with tax legislation.

On the other hand, the Group has not recognized certain negative tax bases and deductions for which, in general, there is no legal period for offsetting, amounting to approximately €2,037 million, which are mainly originated by Catalunya Banc.

20. Other assets and liabilities

The composition of the balance of these captions of the accompanying consolidated balance sheets is:

Other assets and liabilities (Millions of Euros)	2021	2020	2019
ASSETS			
Inventories	424	572	581
Transactions in progress	131	160	138
Accruals	730	756	804
Other items	649	1,025	2,277
Total	**1,934**	**2,513**	**3,800**
LIABILITIES			
Transactions in progress	48	75	39
Accruals	2,137	1,584	2,456
Other items	1,436	1,144	1,247
Total	**3,621**	**2,802**	**3,742**

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 accompanying 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)

	2021	2020	2019
ASSETS			
Foreclosures and recoveries	1,218	1,398	1,647
Assets from tangible assets (*)	563	480	310
Companies held for sale (**)	41	84,792	1,716
Accrued amortization (***)	(112)	(89)	(51)
Impairment losses (*)	(650)	(594)	(543)
Total	**1,061**	**85,987**	**3,079**
LIABILITIES			
Companies held for sale (**)	—	75,446	1,554
Total	**—**	**75,446**	**1,554**

(*) 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).

(**) It includes mainly BBVA's stake in BBVA USA in 2020 and BBVA's stake in BBVA Paraguay in 2019 (see Note 3).

(***) Corresponds to the accumulated depreciation of assets before their classification as "Non-current assets and disposal groups classified as held for sale".

Assets and liabilities from discontinued operations

As mentioned in Notes 1.3 and 3, in 2020 the agreement for the sale of the BBVA subsidiary in the United States was announced, which sale was completed on June 1, 2021. The assets and liabilities corresponding to the 37 companies sold were reclassified to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" of the consolidated balance sheet as of December 31, 2020, and the earnings from these companies for the first five months of 2021 and the earnings for the years ended December 31, 2020 and 2019 were classified under the heading "Profit (loss) after tax from discontinued operations" of the accompanying consolidated income statements (see Note 1.3).

The condensed consolidated balance sheets as of December 31, 2021, 2020 and 2019, and the condensed consolidated income statements and condensed consolidated statements of cash flow of the companies held for sale in the United States the first five months of 2021 and for the years 2020 and 2019 are provided below:

Condensed consolidated balance sheets of companies sold in the United States

CONDENSED CONSOLIDATED BALANCE SHEETS (Millions of euros)	2021	2020	2019
Cash, cash balances at central banks and other demand deposits	—	11,368	5,678
Financial assets held for trading	—	821	513
Non-trading financial assets mandatorily at fair value through profit or loss	—	13	18
Financial assets at fair value through other comprehensive income	—	4,974	6,834
Financial assets at amortized cost	—	61,558	62,860
Derivatives - Hedge accounting	—	9	10
Tangible assets	—	799	900
Intangible assets	—	1,949	4,183
Tax assets	—	360	263
Other assets	—	1,390	1,463
Non-current assets and disposal groups classified as held for sale	—	16	31
TOTAL ASSETS	**—**	**83,257**	**82,751**
Financial liabilities held for trading	—	98	94
Financial liabilities at amortized cost	—	73,132	70,438
Derivatives - Hedge accounting	—	2	11
Provisions	—	157	186
Tax liabilities	—	201	87
Other liabilities	—	492	464
TOTAL LIABILITIES	**—**	**74,082**	**71,279**
Actuarial gains (losses) on defined benefit pension plans	—	(66)	(80)
Hedge of net investments in foreign operations (effective portion)	—	(432)	(432)
Foreign currency translation	—	801	1,576
Hedging derivatives. Cash flow hedges (effective portion)	—	250	81
Fair value changes of debt instruments measured at fair value through other comprehensive income	—	70	(11)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**—**	**622**	**1,134**

Condensed consolidated income statements of companies sold in the United States

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	2021 (*)	2020	2019
Interest and other income	974	2,638	3,221
Interest expense	(53)	(429)	(887)
NET INTEREST INCOME	**921**	**2,209**	**2,335**
Dividend income	2	4	10
Fee and commission income	285	677	736
Fee and commission expense	(86)	(183)	(205)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(4)	19	54
Gains (losses) on financial assets and liabilities held for trading, net	26	90	30
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	2	8	—
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	2	5	3
Gains (losses) from hedge accounting, net	(1)	4	4
Exchange differences, net	5	19	5
Other operating income	9	19	32
Other operating expense	(30)	(63)	(64)
GROSS INCOME	**1,132**	**2,808**	**2,941**
Administration costs	(661)	(1,462)	(1,534)
Depreciation and amortization	(80)	(205)	(214)
Provisions or reversal of provisions	4	2	(3)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(66)	(729)	(521)
NET OPERATING INCOME	**330**	**413**	**670**
Impairment or reversal of impairment on non-financial assets	—	(2,084)	(1,318)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(2)	(3)	2
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	3	2	(2)
PROFIT (LOSS) BEFORE TAX	**330**	**(1,671)**	**(648)**
Tax expense or income related to profit or loss	(80)	(57)	(110)
PROFIT (LOSS) AFTER TAX	**250**	**(1,729)**	**(758)**
Profit (loss) after tax from the sale	29	—	—
PROFIT (LOSS) FOR THE PERIOD	**280**	**(1,729)**	**(758)**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**—**	**—**	**—**
ATTRIBUTABLE TO OWNERS OF THE PARENT (**)	**280**	**(1,729)**	**(758)**

(*) Corresponds to the first five months of 2021 (See Notes 1.3 and 3).

(**) Cumulative profit net of taxes earned and recognized by BBVA Group in relation to the sale of BBVA USA Bancshares has been €582 million, corresponding to the results generated by the entities within the scope of the sale agreement from the date of the agreement to the closing date of the agreement, plus the profit after tax on the sale as of the closing.

Condensed consolidated statements of cash flows of companies sold in the United States

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Euros)	2021 (*)	2020	2019
A) CASH FLOWS FROM OPERATING ACTIVITIES	62	6,874	3,888
B) CASH FLOWS FROM INVESTING ACTIVITIES	(34)	(145)	(133)
C) CASH FLOWS FROM FINANCING ACTIVITIES	(26)	(65)	(468)
D) EFFECT OF EXCHANGE RATE CHANGES	60	(974)	65
INCREASE (DECREASE) NET CASH AND CASH EQUIVALENTS (A+B+C+D)	**62**	**5,690**	**3,352**

(*) Corresponds to the first five months of 2021 (See Notes 1.3 and 3).

Effects of disposal on the financial position of the Group

EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP (Millions of Euros)	June 2021
Cash, cash balances at central banks and other demand deposits	(11,476)
Financial assets held for trading	(638)
Non-trading financial assets mandatorily at fair value through profit or loss	(15)
Financial assets at fair value through other comprehensive income	(4,620)
Financial assets at amortized cost	(61,440)
Derivatives - Hedge accounting	(8)
Tangible assets	(788)
Intangible assets	(1,938)
Tax assets	(349)
Other assets	(1,439)
Non-current assets and disposal groups classified as held for sale	(10)
Total assets	**(82,720)**
Financial liabilities held for trading	129
Financial liabilities at amortized cost	72,357
Provisions	156
Tax liabilities	207
Other liabilities	491
Total liabilities	**73,341**
Total net assets/liabilities	**(9,378)**

EFFECT ON NET CASH OUTFLOWS FROM DISCONTINUED OPERATIONS - USA (Millions of Euros)	June 2021
Consideration received satisfied in cash	9,512
Cash and cash equivalents disposed of	(11,476)
Total net cash outflows from discontinued operations - USA	**(1,964)**

EFFECT OF THE MOST SIGNIFICANT SALES OF NON-CURRENT ASSETS HELD FOR SALE OF THE BBVA GROUP REFLECTED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS (Millions of Euros)	December 2021
Consideration received satisfied in cash - USA	9,512
Consideration received satisfied in cash - Divarian	513
Consideration received satisfied in cash - Paraguay	210
Other collections from non-current assets and liabilities for sale	435
Total cash received from non-current assets and liabilities for sale	**10,670**

Non-current assets and disposal groups classified as held for sale

The changes in the balances of "Non-current assets and disposal groups classified as held for sale" in 2021, 2020 and 2019, are as follows:

Non-current assets and disposal groups classified as held for sale (Millions of Euros)

	Notes	Foreclosed assets			Property, Plant and Equipment (*)			Companies held for sale (**)			Total		
Cost (1)		**2021**	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Balance at the beginning		**1,398**	**1,648**	**2,211**	**391**	**258**	**389**	**84,792**	**1,716**	**29**	**86,581**	**3,622**	**2,629**
Additions		245	285	665	—	—	10	522	83,266	1,676	768	83,551	2,351
Contributions from merger transactions		—	—	2	—	—	—	—	—	—	—	—	2
Retirements (sales and other decreases)		(298)	(288)	(1,023)	(39)	(45)	(206)	(83,172)	(190)	—	(83,509)	(523)	(1,229)
Transfers, other movements and exchange differences (**)		(127)	(228)	(207)	100	180	65	(2,100)	—	11	(2,128)	(48)	(131)
Disposals by companies held for sale		—	(19)	—	—	(2)	—		—		—	(21)	—
Balance at the end		**1,218**	**1,398**	**1,648**	**452**	**391**	**258**	**41**	**84,792**	**1,716**	**1,711**	**86,581**	**3,622**
Impairment (2)													
Balance at the beginning		**386**	**411**	**504**	**208**	**132**	**124**	**—**	**—**	**—**	**594**	**543**	**628**
Additions	50	36	74	67	62	29	5	—	—	—	97	103	72
Additions transfer to discontinued operations		—	—	5	—	—	—	—	—	—	—	—	5
Contributions from merger transactions		—	—	—	—	—	—	—	—	—	—	—	—
Retirements (sales and other decreases)		(65)	(56)	(164)	(13)	(13)	(22)	—	—	—	(78)	(69)	(186)
Other movements and exchange differences		24	(42)	(1)	12	60	25	—	—	—	36	18	24
Disposals by companies held for sale		—	(1)		—	—		—	—	—	—	(1)	
Balance at the end		**381**	**386**	**411**	**269**	**208**	**132**	**—**	**—**	**—**	**650**	**594**	**543**
Balance at the end of net carrying value (1)-(2)		**837**	**1,012**	**1,237**	**183**	**183**	**126**	**41**	**84,792**	**1,716**	**1,061**	**85,987**	**3,079**

(*) Net of accumulated amortization until assets were reclassified as "Non-current assets and disposal groups classified as held for sale".

(**) In 2020, the variation corresponds mainly to the USA Sale agreement of BBVA USA and in 2019 to the BBVA's stake in BBVA Paraguay (see Note 3).

As indicated in Note 2.2.4, "Non-current assets and disposal groups held for sale" and "Liabilities included in disposal groups classified as held for sale" are valued at the lower amount between its fair value less costs to sell and its carrying amount. As of December 31, 2021, 2020 and 2019 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, 2021, 2020 and 2019, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €608, €747 and €871 million in assets for residential use; €202, €215 and €259 million in assets for tertiary use (industrial, commercial or office) and €19, €21 and €28 million in assets for agricultural use, respectively.

As of December 31, 2021, 2020 and 2019, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2021, 2020 and 2019, 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 €62, €78 and €79 million, respectively; with an average financing of 33.7% of the sales price during 2021.

As of December 31, 2021, 2020 and 2019, the amount of the profits arising from the sale of assets financed by Group companies that are not recognized in the consolidated income statement amounted to €1 million.

22. Financial liabilities at amortized cost

22.1 Breakdown of the balance

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Financial liabilities measured at amortized cost (Millions of Euros)

	2021	2020	2019
Deposits	416,947	415,467	438,919
Deposits from central banks	47,351	45,177	25,950
Demand deposits	*8*	*163*	*23*
Time deposits and other	*41,790*	*38,274*	*25,101*
Repurchase agreements	*5,553*	*6,740*	*826*
Deposits from credit institutions	19,834	27,629	28,751
Demand deposits	*7,601*	*7,196*	*7,161*
Time deposits and other (**)	*8,599*	*16,079*	*18,896*
Repurchase agreements	*3,634*	*4,354*	*2,693*
Customer deposits (*)	349,761	342,661	384,219
Demand deposits	*293,015*	*266,250*	*280,391*
Time deposits and other (**)	*55,479*	*75,666*	*103,293*
Repurchase agreements	*1,267*	*746*	*535*
Debt certificates	55,763	61,780	63,963
Other financial liabilities	15,183	13,358	13,758
Total	**487,893**	**490,606**	**516,641**

(*) Variation in 2020 is mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

(**) The variation in 2021 is mainly due to the decrease in time deposits at Banco Bilbao Vizcaya Argentaria, S.A. offset by the increase in demand deposits and investment funds (off-balance) due to the current interest rate environment.

The amount recorded in "Deposits from central banks - Time deposits" includes the provisions of the TLTRO III facilities of the European Central Bank, mainly BBVA S.A. amounting to €38,692 and €35,032 million as of December 31, 2021 and 2020 respectively which basically explains the change compared to the previous year 2019 (see Note 7.5).

On April 30, 2020, the European Central Bank modified some of the terms and conditions of the TLTRO III facilities in order to support the continued access of companies and households to bank credit in the face of interruptions and temporary shortages of funds associated with the COVID-19 pandemic. Entities whose eligible net lending exceeded 0% between March 1, 2020 and March 31, 2021 paid an interest rate 0.5% lower than the average rate of the deposit facilities during the period from June 24, 2020 to June 23, 2021.

On December 10, 2020, the European Central Bank extended the support via targeted lending operations (TLTRO), extending by twelve additional months, until June 2022, the period of application of favorable interest rates to credit institutions for which the net variation of their eligible loans, between October 1, 2020 and December 31, 2021, reaches a given lending performance threshold. Additionally, the maximum borrowing amount was increased to 55% of the eligible loans (from 50% previously).This means that the interest rate applicable to the outstanding operations is -1% provided that the lending objectives are met according to the conditions of the European Central Bank.

As of December 31, 2021, the Group fulfilled these lending objectives. Therefore, the recognition of the favorable interest rate associated with the COVID-19 pandemic has been recognized for the period from June 24, 2020 to December 31, 2021 and will continue to be recognized until June 2022.

The positive remuneration currently being generated by the TLTRO III operations is recorded under the heading of "Interest and other income – other income" in the consolidated income statements and amounts to €384 and €211 million for the years ended December 31, 2021 and 2020 respectively (See Note 37.1).

22.2 Deposits from credit institutions

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying consolidated balance sheets is as follows:

Deposits from credit institutions (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
December 2021				
Spain	1,671	375	—	2,047
Mexico	444	558	—	1,002
Turkey	83	672	37	792
South America	532	1,225	—	1,757
Rest of Europe	1,841	3,110	2,549	7,500
Rest of the world	3,030	2,657	1,048	6,736
Total	**7,601**	**8,599**	**3,634**	**19,834**
December 2020				
Spain	345	1,405	1	1,751
Mexico	689	672	188	1,549
Turkey	8	580	28	617
South America	557	1,484	—	2,041
Rest of Europe	2,842	4,531	4,070	11,444
Rest of the world	2,755	7,406	67	10,228
Total	**7,196**	**16,079**	**4,354**	**27,629**
December 2019				
Spain	2,104	1,113	1	3,218
The United States	2,082	4,295	—	6,377
Mexico	432	1,033	168	1,634
Turkey	302	617	4	924
South America	394	2,285	161	2,840
Rest of Europe	1,652	5,180	2,358	9,190
Rest of the world	194	4,374	—	4,568
Total	**7,161**	**18,896**	**2,693**	**28,751**

(*) Subordinated deposits are included amounting to €14, €12 and €195 million as of December 31, 2021, 2020 and 2019, respectively.

22.3 Customer deposits

The breakdown by geographical area of this heading in the accompanying 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 2021				
Spain	181,565	10,407	2	191,974
Mexico	53,359	10,383	505	64,247
Turkey	19,725	13,644	6	33,376
South America	28,039	9,822	—	37,861
Rest of Europe	8,933	9,546	754	19,234
Rest of the world	1,393	1,677	—	3,070
Total	**293,015**	**55,479**	**1,267**	**349,761**
December 2020				
Spain	168,690	20,065	2	188,757
Mexico	43,768	10,514	117	54,398
Turkey	17,906	16,707	8	34,621
South America	25,730	11,259	—	36,989
Rest of Europe	8,435	12,373	619	21,427
Rest of the world	1,720	4,748	—	6,468
Total	**266,250**	**75,666**	**746**	**342,661**
December 2019				
Spain	146,651	24,958	2	171,611
The United States	46,372	19,810	—	66,181
Mexico	43,326	12,714	523	56,564
Turkey	13,775	22,257	10	36,042
South America	22,748	13,913	—	36,661
Rest of Europe	6,610	8,749	—	15,360
Rest of the world	909	892	—	1,801
Total	**280,391**	**103,293**	**535**	**384,219**

(*) It includes subordinated deposits amounting to €189 million as of December 31, 2019.

22.4 Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

Debt certificates (Millions of Euros)

	2021	2020	2019
In Euros	**36,289**	**42,462**	**40,185**
Promissory bills and notes	319	860	737
Non-convertible bonds and debentures	15,712	14,538	12,248
Covered bonds (*)	9,930	13,274	15,542
Hybrid financial instruments (**)	366	355	518
Securitization bonds	2,302	2,538	1,354
Wholesale funding	438	2,331	1,817
Subordinated liabilities	7,221	8,566	7,968
Convertible perpetual certificates	3,500	4,500	5,000
Non-convertible preferred stock	—	159	83
Other non-convertible subordinated liabilities	3,721	3,907	2,885
In foreign currencies	**19,475**	**19,318**	**23,778**
Promissory bills and notes	579	1,024	1,210
Non-convertible bonds and debentures	7,885	8,691	10,587
Covered bonds (*)	178	217	362
Hybrid financial instruments (**)	2,843	455	1,156
Securitization bonds	4	4	17
Wholesale funding	412	1,016	780
Subordinated liabilities	7,574	7,911	9,666
Convertible perpetual certificates	1,771	1,633	1,782
Non- convertible preferred stock	—	35	76
Other non-convertible subordinated liabilities	5,803	6,243	7,808
Total	**55,763**	**61,780**	**63,963**

(*) Including mortgage-covered bonds (see Appendix X). In 2021 and 2020, several mortgage-covered bonds reached their maturity date.

(**) Corresponds to structured note issuances whose underlying risk is different from the underlying risk of the derivative.

22.4.1 Subordinated liabilities

The breakdown of this heading in the accompanying consolidated balance sheets is as follows:

Memorandum item: Subordinated liabilities at amortized cost (Millions of Euros)

	2021	2020	2019
Subordinated deposits	14	12	384
Subordinated certificates	14,794	16,476	17,635
Preferred stock	—	194	159
Compound convertible financial instruments	5,271	6,133	6,782
Other non-convertible subordinated liabilities	9,523	10,149	10,693
Total	**14,808**	**16,488**	**18,018**

The balance variances are mainly due to the following transactions:

Convertible perpetual liabilities

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out for conversion of mandatory convertible issuances made under this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

Under that delegation, BBVA 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:

- In May and November 2017, BBVA carried out two issues of perpetual contingent convertible securities (additional Tier 1 capital instruments) excluding shareholders' pre-emptive rights, for a nominal amount of 500 million euros and 1,000 million U.S. dollars, respectively. These issues are listed on the Global Exchange Market of Euronext Dublin of the Irish Stock Exchange and were directed only to qualified investors and foreign private banking clients, and cannot be placed or subscribed in Spain or among investors resident in Spain.

- In September 2018 and March 2019, BBVA carried out both issuances of perpetual contingent convertible securities (additional tier 1 instruments), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1 billion each. These issuances are listed in the AIAF Fixed Income Securities Market and were targeted only at professional clients and eligible counterparties, not being offered or sold to any retail clients.

- On September 5, 2019, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instruments), with exclusion of pre-emptive subscription rights of shareholders, 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 to, and not being subscribed for, in Spain or by Spanish residents.

- On July 15, 2020, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instruments), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1 billion. This issuance is listed in the AIAF Fixed Income Securities Market and was targeted only at professional clients and eligible counterparties, not being offered or sold to any retail clients.

These perpetual securities will 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 issuances 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:

- On February 19, 2019 the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments), carried out by the Bank on February 19, 2014, for a total amount of €1.5 billion and once the prior consent from the Regulator had been obtained. On February 19, 2019 the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments), carried out by the Bank on February 19, 2014, for a total amount of €1.5 billion and once the prior consent from the Regulator had been obtained.

- On February 18, 2020, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on February 18, 2015, for an amount of €1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator had been obtained.

- On 14 April 2021, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on 14 April 2016, for an amount of €1.0 billion on the First Reset Date of the issuance and once the prior consent from the Regulator had been obtained.

In addition, the AGM held on April 20, 2021, resolved, under agenda item five, to confer authority to the Board of Directors to issue perpetual contingent convertible securities, envisaged to meet regulatory requirements for their eligibility as capital instruments, pursuant to solvency regulations applicable at any time (CoCos), subject to the legal and statutory provisions applicable at any time, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders' pre-emptive subscription rights, complying at all times with the requirements and limitations laid down by Law. The AGM also resolved to repeal the powers it conferred on March 17, 2017, under agenda item five.

Preferred securities

The breakdown by issuer of the balance under this heading in the accompanying consolidated balance sheets is as follows:

Preferred securities by issuer (Millions of Euros)

	2021	2020	2019
BBVA International Preferred, S.A.U.	—	35	37
Unnim Group (*)	—	159	83
BBVA USA	—	—	19
BBVA Colombia	—	—	20
Total	**—**	**194**	**159**

(*) Unnim Group: Issuances prior to the acquisition by BBVA.

These issuances were fully subscribed at the moment of the issue by qualified/institutional investors outside the Group and are redeemable, totally or partially, at the issuer's option after five years from the issue date, depending on the terms of each issuance and with the prior consent from the Bank of Spain or the relevant authority.

In connection with the above, once the necessary authorization from the European Central Bank was received and in conformity with its authority to redeem:

- The Extraordinary and Universal General Meeting of Caixasabadell Preferents, S.A. Unipersonal, at its meeting held on December 11, 2020, decided to delegate on the company's Board of Directors the authority to agree on the total early redemption of its only outstanding issuance, subject to the applicable legal provisions and having previously obtained all necessary authorizations. In use of such delegation, having satisfied all legal and contractual formalities required and having obtained all relevant authorizations, the company's Board of Directors, on the same date, agreed to carry out the early redemption of the total nominal amount of the issuance on January 14, 2021. As a result, once all necessary communications were released, on January 14, 2021 the total early redemption of the issuance took place.

- The Extraordinary and Universal General Meeting of BBVA International Preferred, S.A. Unipersonal, at its meeting held on December 11, 2020, decided to delegate on the company's Board of Directors the authority to agree on the total early redemption of its only outstanding issuance, subject to the applicable legal provisions and having previously obtained all necessary authorizations. In use of such delegation, having satisfied all legal and contractual formalities required and having obtained all relevant authorizations, the company's Board of Directors, on the same date, agreed to carry out the early redemption of the total nominal amount of the issuance on January 19, 2021. As a result, once all necessary communications were released, on January 19, 2021 the total early redemption of the issuance took place.

- The Extraordinary and Universal General Meeting of Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal, at its meeting held on December 11, 2020, decided to delegate on the company's Board of Directors the implementation of all necessary actions in order to modify its only live issuance so as to include a new clause regarding the early redemption of the preferred securities. In use of the delegated authority and having obtained all necessary authorizations, the company's Board of Directors, on the same date, agreed to modify the relevant issuance in order to include a new clause for the total early redemption of the preferred securities on January 29, 2021, therefore convening the relevant meeting of noteholders of the issuance to be held in Bilbao, on January 14, 2021, at first call, or on January 15, 2021, at second call. Having satisfied all applicable legal requirements, the noteholders' meeting was held at first call and passed, with the necessary majority of votes, among other resolutions, the inclusion of a new total early redemption clause. As a result, on January 29, 2021 the total early redemption of the issuance took place.

22.5 Other financial liabilities

The breakdown of the balance under this heading in the accompanying consolidated balance sheets is as follows:

Other financial liabilities (Millions of Euros)

	2021	2020	2019
Lease liabilities	2,560	2,674	3,335
Creditors for other financial liabilities	2,657	2,408	2,623
Collection accounts	3,839	3,275	3,306
Creditors for other payment obligations (*)	6,127	5,000	4,494
Total	**15,183**	**13,358**	**13,758**

(*) In 2021, this heading includes the amount committed for the acquisition of treasury shares under the buyback program (see Notes 2.2.14 and 4).

A breakdown of the maturity of the lease liabilities, due after December 31, 2021 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	218	406	428	1,507	2,560

23. Assets and liabilities under insurance and reinsurance contracts

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

There are two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The insurance business is affected by different risks, including those that are related to the BBVA Group such as credit risk, market risk, liquidity risk and operational risk and the methodology for risk measurement, control and follow-up applied in the insurance activity is similar (see Note 7 and Management Report - Risk), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments.

Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each country. In this regard, it should be noted that the insurance industry is undergoing a gradual regulatory transformation through new risk-based capital regulations, which have already been published in several countries.

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2021, 2020 and 2019, the balance under this heading amounted to €269 million, €306 million and €341 million, respectively.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets.

The breakdown of the balance under this heading is as follows:

Technical reserves (Millions of Euros)

	2021	2020	2019
Mathematical reserves	9,495	8,731	9,247
Individual life insurance (*)	*7,265*	*6,268*	*6,731*
Group insurance(**)	*2,230*	*2,463*	*2,517*
Provision for unpaid claims reported	706	672	641
Provisions for unexpired risks and other provisions	664	548	718
Total	**10,865**	**9,951**	**10,606**

(*) Provides coverage in the event of death, disability and / or serious illness.

(**) The insurance policies purchased by employers (other than BBVA Group) on behalf of its employees.

The cash flows of those "Liabilities under insurance and reinsurance contracts" are shown below:

Maturity (Millions of euros). Liabilities under insurance and reinsurance contracts

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2021	1,808	290	1,664	7,103	10,865
2020	1,227	950	1,616	6,158	9,951
2019	1,571	1,197	1,806	6,032	10,606

The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modelling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 96% of the insurance revenues), where the modelling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modelling methods and techniques used to calculate the mathematical reserves for the insurance products are compliant with IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions as of December 31, 2021, 2020 and 2019 used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

Mathematical reserves

	2021				2020				2019			
	Mortality table		Average technical interest rate		Mortality table		Average technical interest rate		Mortality table		Average technical interest rate	
	Spain	Mexico	Spain	Mexico	Spain	Mexico	Spain	Mexico	Spain	Mexico	Spain	Mexico
Individual life insurance (*)	GRMF 80-2, GKM 80 / GKMF 95, PASEM, GKMF 80/95, PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.24%-2,85%	3.60%	GRMF 80-2, GKM 80 / GKMF 95, PASEM, GKMF 80/95, PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.25%-2,87%	2.50%	GRMF 80-2, GKMF 80/95. PASEM, PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.25%-2.91%	2.50%
Group insurance (**)	PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%	PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%	PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%

(*) Provides coverage in the case of one or more of the following events: death and disability.
(**) Insurance policies purchased by companies (other than BBVA Group entities) on behalf of their employees.

24. Provisions

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, based on type of provisions, is as follows:

Provisions. Breakdown by concepts (Millions of Euros)

	Notes	2021	2020	2019
Provisions for pensions and similar obligations	25	3,576	4,272	4,631
Other long term employee benefits (*)	25	632	49	61
Provisions for taxes and other legal contingencies		623	612	677
Provisions for contingent risks and commitments		691	728	711
Other provisions (**)		366	479	457
Total		**5,889**	**6,141**	**6,538**

(*) The variation is mainly explained by the collective layoff procedure that is being carried out at Banco Bilbao Vizcaya Argentaria, S.A.

(**) Individually insignificant provisions or contingencies, for various concepts in different geographies.

The change in provisions for pensions and similar obligations for the years ended December 31, 2021, 2020 and 2019 is as follows:

Provisions for pensions, other post-employement obligations for defined benefit plans, and other long term employee benefits. Changes over the year (Millions of Euros)

	Notes	2021	2020	2019
Balance at the beginning		**4,272**	**4,631**	**4,787**
Charges to income for the year		141	298	327
Interest expense and similar charges		*37*	*44*	*63*
Personnel expense	*44.1*	*49*	*49*	*49*
Provision expense		*56*	*205*	*215*
Charges to equity (*)	25	(206)	191	329
Transfers and other changes (**)		(21)	(71)	(29)
Benefit payments	25	(608)	(654)	(718)
Employer contributions	25	(4)	(124)	(65)
Balance at the end		**3,576**	**4,272**	**4,631**

(*) Correspond to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions recognized in “Equity” (see Note 2.2.11).

(**) In 2020, it includes the amount of the USA Sale (see Notes 1.3, 3 and 21).

Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)

	2021	2020	2019
Balance at beginning	**1,091**	**1,134**	**1,286**
Additions (*)	1,175	555	396
Acquisition of subsidiaries	—	—	—
Unused amounts reversed during the year	(227)	(215)	(96)
Amount used and other variations (*)	(1,050)	(383)	(453)
Balance at the end	**990**	**1,091**	**1,134**

(*)In 2021, it includes the initial recognition of the estimated cost of the collective layoff procedure that is being 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 2,935 employees. The agreement also included the closing of 480 offices (most of which had closed as of December 31, 2021). The cost of the process amounts to €994 million before taxes, of which €754 million correspond to the collective layoff and €240 million to the closing of offices (see Notes 17, 21, 46, 49 and 50). As of December 31, 2021, 2,888 employees had already signed out of BBVA S.A. (some of them effectively departed on January 1, 2022). It is expected that during January and February, additional departures will take place until the agreement is completed, which could be extended until March 31, 2022,

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 sued on lawsuits and are therefore 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, 2021, the provisions made in relation to judicial proceedings and arbitration, where so required, are adequate and reasonably cover the liabilities that might arise, if any, from such proceedings. Furthermore, on the basis of the information available and with the exceptions indicated in Note 7.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, on a case-by-case basis, a significant adverse effect on the Group's business, financial situation or results of operations.

25. Post-employment and other employee benefit commitments

As stated in Note 2.2.11, the Group has assumed commitments with employees including short-term employee benefits (see Note 44.1), defined contribution and defined benefit plans (see Glossary), healthcare and other long-term employee benefits.

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The breakdown of the net defined benefit liability recorded on the balance sheet as of December 31, 2021, 2020 and 2019 is provided below:

Net defined benefit liability (asset) on the consolidated balance sheet (Millions of Euros)

	Notes	2021	2020	2019
Pension commitments		4,218	4,539	5,050
Early retirement commitments		952	1,247	1,486
Medical benefits commitments		1,377	1,562	1,580
Other long term employee benefits		632	49	61
Total commitments		**7,180**	**7,398**	**8,177**
Pension plan assets		1,494	1,608	1,961
Medical benefit plan assets		1,494	1,484	1,532
Total plan assets (*)		**2,988**	**3,092**	**3,493**
Total net liability / asset		**4,193**	**4,305**	**4,684**
Of which: Net asset on the consolidated balance sheet (**)		*(15)*	*(16)*	*(8)*
Of which: Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (***)	24	*3,576*	*4,272*	*4,631*
Of which: Net liability on the consolidated balance sheet for other long term employee benefits (****)	24	*632*	*49*	*61*

(*) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of €165 million as of December 31, 2021 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.

(**) Recorded under the heading “Other Assets - Other” of the consolidated balance sheet (see Note 20).

(***) Recorded under the heading “Provisions - Provisions for pensions and similar obligations” of the consolidated balance sheet.

(****) Recorded under the heading “Provisions – Other long-term employee benefits” of the consolidated balance sheet. The variation is mainly explained by the collective layoff procedure that is being carried out at Banco Bilbao Vizcaya Argentaria, S.A.

The impact relating to benefit commitments charged to consolidated income statement for the years 2021, 2020 and 2019 is as follows:

Consolidated income statement impact (Millions of Euros)

	Notes	2021	2020	2019
Interest and other expense		**37**	**44**	**63**
Interest expense		257	265	293
Interest income		(220)	(220)	(230)
Personnel expense		**120**	**121**	**143**
Defined contribution plan expense	44.1	71	72	95
Defined benefit plan expense	44.1	49	49	49
Provisions or (reversal) of provisions	**46**	**61**	**210**	**213**
Early retirement expense		100	224	190
Past service cost expense		(28)	(8)	18
Remeasurements (*)		(16)	(11)	7
Other provision expense		6	4	(1)
Total impact on consolidated income statement: expense (income)		**218**	**375**	**419**

(*) 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, 2021, 2020 and 2019 are as follows:

Equity impact (Millions of Euros)

	2021	2020	2019
Defined benefit plans	52	161	254
Post-employment medical benefits	(257)	30	74
Total impact on equity: debit (credit)	**(206)**	**191**	**329**

In 2021, the aggregate impact of this heading amounted to a credit of €206 million driven by the variation in financial assumptions, gains of €171 million for the commitments in Mexico, and gains of €55 million for the commitments in Spain. These amounts are offset by other geographies and demographic and experience effects. In 2020, the aggregate impact of this heading amounted to €191 million, driven mainly by the variation in interest rates and losses on commitments (€91 million in Mexico and €68 million in Spain) and, to a lesser extent, the updating of the mortality tables in Spain (€49 million losses). These amounts are partially offset by the effect in other geographies and experience. In 2019, this heading amounted to €329 million mainly due to the variation in two geographies. Firstly, as a consequence of the €231 million euros increase in actuarial losses on commitments in Spain, due to the variation in discount rates from 1.75% to 1%. Secondly, driven by the €83 million increase in actuarial losses on commitments in Mexico, due to the decrease in discount rates from 10.45% to 9.04%.

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, 2021, 2020 and 2019 is presented below:

Defined benefits (Millions of Euros)

	2021			2020			2019		
	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	**7,348**	**3,092**	**4,256**	**8,116**	**3,493**	**4,622**	**7,585**	**2,839**	**4,746**
Current service cost	53	—	53	53	—	53	52	—	52
Interest income/expense	253	220	33	261	219	42	290	230	60
Contributions by plan participants	5	5	—	4	4	—	4	4	—
Employer contributions	—	4	(4)	—	124	(124)	—	65	(65)
Past service costs (*)	75	—	75	219	—	219	210	—	210
Remeasurements:	(406)	(184)	(223)	364	176	187	783	454	329
Return on plan assets (**)	*—*	*(184)*	*184*	*—*	*176*	*(176)*	*—*	*454*	*(454)*
From changes in demographic assumptions	*(121)*	*—*	*(121)*	*57*	*—*	*57*	*(15)*	*—*	*(15)*
From changes in financial assumptions	*(259)*	*—*	*(259)*	*276*	*—*	*276*	*688*	*—*	*688*
Other actuarial gains and losses	*(27)*	*—*	*(27)*	*30*	*—*	*30*	*110*	*—*	*110*
Benefit payments	(765)	(158)	(608)	(839)	(185)	(654)	(905)	(187)	(718)
Settlement payments	(1)	(1)	—	—	—	—	—	—	—
Business combinations and disposals (***)	(2)	1	(3)	(371)	(327)	(44)	15	12	3
Effect on changes in foreign exchange rates	(24)	8	(32)	(459)	(409)	(50)	63	69	(6)
Conversions to defined contributions	—	—	—	—	—	—	—	—	—
Other effects	13	—	13	1	(3)	4	19	6	13
Balance at the end	**6,547**	**2,988**	**3,560**	**7,348**	**3,092**	**4,256**	**8,116**	**3,493**	**4,623**
Of which: Spain	*3,670*	*206*	*3,464*	*4,288*	*249*	*4,039*	*4,592*	*266*	*4,326*
Of which: Mexico	*2,150*	*2,149*	*1*	*2,219*	*2,122*	*97*	*2,231*	*2,124*	*107*
Of which: The United States	*—*	*—*	*—*	*—*	*—*	*—*	*375*	*323*	*52*
Of which: Turkey	*272*	*209*	*63*	*367*	*282*	*85*	*444*	*359*	*86*

(*) Including gains and losses arising from settlements.

(**) Excluding interest, which is recorded under "Interest income or expense".

(***) The amount in 2020 in mainly due to the companies in the United States included in the USA Sale (see Notes 1.3, 3 and 21).

The balance under the heading "Provisions - Pensions and other post-employment defined benefit obligations" of the accompanying consolidated balance sheet as of December 31, 2021 includes €311 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, 2021, 2020 and 2019:

Actuarial assumptions (%)

	2021			2020			2019		
	Spain	Mexico	Turkey	Spain	Mexico	Turkey	Spain	Mexico	Turkey
Discount rate	0.74%	9.68%	19.10%	0.53%	8.37%	13.00%	0.68%	9.04%	12.50%
Rate of salary increase	—	4.00%	16.60%	—	4.00%	11.20%	—	4.75%	9.70%
Rate of pension increase	—	2.95%	15.10%	—	1.94%	9.70%	—	2.47%	8.20%
Medical cost trend rate	—	7.00%	19.30%	—	7.00%	13.90%	—	7.00%	12.40%
Mortality tables	PER 2020	EMSSA09	CSO2001	PER 2020	EMSSA09	CSO2001	PERM/F 2000P	EMSSA09	CSO2001

In Spain, the discount rate shown as of December 31, 2021, corresponds to the weighted average rate, the actual discount rates used are 0% and 1% 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	2021		2020		2019	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate	50	(282)	307	(354)	390	(367)	405
Rate of salary increase	50	2	(2)	4	(4)	3	(3)
Rate of pension increase	50	28	(26)	29	(27)	27	(26)
Medical cost trend rate	50	109	(98)	145	(129)	169	(133)
Change in obligation from each additional year of longevity		170	—	211	—	137	—

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. Additionally, this heading includes a fund related to the collective layoff procedure that has been carried out in Banco Bilbao Vizcaya Argentaria, S.A. in 2021. As of December 31, 2021, 2020 and 2019, the actuarial liabilities for the outstanding awards amounted to €632 million, €50 million and €61 million, respectively. These commitments are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying consolidated balance sheet (see Note 24).

25.1.1 Post-employment commitments and similar obligations

These commitments relate mostly to pension payments, and which have been determined based on salary and years of service. For most plans, pension payments are due on retirement, death and long term disability.

In addition, during the year 2021, Group entities in Spain offered certain employees the option to take retirement or early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 432 employees (781 and 616 during years 2020 and 2019, respectively). 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, 2021, 2020 and 2019, the value of these commitments amounted to €952 million, €1,247 million and €1,486 million, respectively.

The change in the benefit plan obligations and plan assets during the year ended December 31, 2021 was as follows:

Post-employment commitments 2021 (Millions of Euros)	Spain	Mexico	Turkey	Rest of the world
Defined benefit obligation				
Balance at the beginning	**4,287**	**666**	**367**	**465**
Current service cost	5	5	16	3
Interest income or expense	22	53	40	6
Contributions by plan participants	—	—	3	2
Employer contributions	—	—	—	—
Past service costs (*)	75	—	2	2
Remeasurements:	(106)	79	21	(24)
Return on plan assets (**)	—	—	—	—
From changes in demographic assumptions	—	*(4)*	—	*(2)*
From changes in financial assumptions	*(61)*	*84*	*(18)*	*(7)*
Other actuarial gains and losses	*(45)*	*(2)*	*39*	*(15)*
Benefit payments	(625)	(67)	(13)	(12)
Settlement payments	—	—	—	(1)
Business combinations and disposals	—	—	—	(2)
Effect on changes in foreign exchange rates	—	42	(166)	9
Conversions to defined contributions	—	—	—	—
Other effects	12	—	—	—
Balance at the end	**3,670**	**779**	**272**	**449**
Of which: Vested benefit obligation relating to current employees	*3,596*			
Of which: Vested benefit obligation relating to retired employees	*74*			
Plan Assets				
Balance at the beginning	**249**	**638**	**282**	**439**
Current service cost	—	—	—	—
Interest income or expense	2	52	32	5
Contributions by plan participants	—	—	3	2
Employer contributions	(11)	2	11	1
Past service costs (*)	—	—	—	—
Remeasurements:	(8)	(49)	11	(19)
Return on plan assets (**)	*(8)*	*(49)*	*11*	*(19)*
From changes in demographic assumptions	—	—	—	—
From changes in financial assumptions	—	—	—	—
Other actuarial gains and losses	—	—	—	—
Benefit payments	(26)	(65)	(7)	(11)
Settlement payments	—	—	—	(1)
Business combinations and disposals	—	40	—	—
Effect on changes in foreign exchange rates	—	37	(123)	9
Conversions to defined contributions	—	—	—	—
Other effects	—	—	—	—
Balance at the end	**206**	**655**	**209**	**424**
Net liability (asset)				
Balance at the beginning	**4,038**	**28**	**85**	**27**
Current service cost	5	5	16	3
Interest income or expense	20	1	9	1
Contributions by plan participants	—	—	—	—
Employer contributions	11	(2)	(11)	(1)
Past service costs (*)	75	—	2	2
Remeasurements:	(98)	128	10	(5)
Return on plan assets (**)	*8*	*49*	*(11)*	*19*
From changes in demographic assumptions	—	*(4)*	—	*(2)*
From changes in financial assumptions	*(61)*	*84*	*(18)*	*(7)*
Other actuarial gains and losses	*(45)*	*(2)*	*39*	*(15)*
Benefit payments	(599)	(1)	(6)	(1)
Settlement payments	—	—	—	—
Business combinations and disposals	—	(40)	—	(2)
Effect on changes in foreign exchange rates	—	5	(43)	1
Conversions to defined contributions	—	—	—	—
Other effects	12	—	—	—
Balance at the end	**3,464**	**124**	**63**	**24**

(*) Including gains and losses arising from settlements.

(**) Excluding interest, which is recorded under "Interest income or expense".

The change in net liabilities (assets) during the years ended 2020 and 2019 was as follows:

Post-employment commitments (Millions of Euros)

	2020: Net liability (assets)					2019: Net liability (assets)				
	Spain	**Mexico**	**The United States**	**Turkey**	**Rest of the world**	**Spain**	**Mexico**	**The United States**	**Turkey**	**Rest of the world**
Balance at the beginning	**4,326**	**72**	**52**	**86**	**38**	**4,547**	**71**	**39**	**83**	**36**
Current service cost	5	5	1	18	3	4	4	—	20	3
Interest income or expense	28	6	2	8	1	42	9	—	11	3
Contributions by plan participants	—	—	—	—	—	—	—	—	—	—
Employer contributions	—	(86)	—	(14)	(1)	—	(47)	(3)	(14)	(1)
Past service costs (*)	224	(1)	—	2	3	190	15	—	3	2
Remeasurements:	95	62	(4)	18	(14)	231	9	16	2	(1)
Return on plan assets (**)	*(41)*	*(31)*	*(35)*	*23*	*(26)*	*(67)*	*(90)*	*(28)*	*5*	*(50)*
From changes in demographic assumptions	*60*	—	*(3)*	—	—	—	—	—	*(13)*	*(2)*
From changes in financial assumptions	*79*	*(19)*	*34*	*54*	*17*	*239*	*87*	*42*	*(41)*	*52*
Other actuarial gains and losses	*(3)*	*112*	—	*(59)*	*(5)*	*59*	*12*	*2*	*51*	*(1)*
Benefit payments	(643)	(1)	(2)	(6)	(1)	(702)	(1)	(2)	(11)	(3)
Settlement payments	—	—	—	—	—	—	—	—	—	—
Business combinations and disposals	—	(19)	(44)	—	—	—	7	3	—	—
Effect on changes in foreign exchange rates	—	(10)	(5)	(26)	(4)	—	5	—	(9)	1
Conversions to defined contributions	—	—	—	—	—	—	—	—	—	—
Other effects	3	—	—	—	—	14	—	(1)	—	—
Balance at the end	**4,039**	**28**	**—**	**85**	**27**	**4,326**	**72**	**52**	**86**	**38**

(*) Includes gains and losses from settlements.

(**) 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 accompanying 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, 2021 the value of these separate assets was €2,326 million, (€2,572 and €2,620 million as of December 31, 2021, 2020 and 2019, 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 accompanying consolidated balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2021, 2020 and 2019, the value of the aforementioned insurance policies (€206, €249 and €266 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the accompanying 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 €243 million as of December 31, 2021 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 2021, 2020 and 2019 was as follows:

Medical benefits commitments (Millions of Euros)

	2021			2020			2019		
	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	**1,562**	**1,484**	**77**	**1,580**	**1,532**	**48**	**1,114**	**1,146**	**(32)**
Current service cost	24	—	24	21	—	21	21	—	21
Interest income or expense	131	129	2	117	120	(3)	119	123	(4)
Contributions by plan participants	—	—	—	—	—	—	—	—	—
Employer contributions	—	1	(1)	—	22	(22)	—	—	—
Past service costs (*)	(5)	—	(5)	(8)	—	(8)	—	—	—
Remeasurements:	(377)	(119)	(257)	95	66	30	298	224	74
Return on plan assets (**)	*—*	*(119)*	*119*	*—*	*66*	*(66)*	*—*	*224*	*(224)*
From changes in demographic assumptions	*(115)*	*—*	*(115)*	*—*	*—*	*—*	*—*	*—*	*—*
From changes in financial assumptions	*(257)*	*—*	*(257)*	*110*	*—*	*110*	*311*	*—*	*311*
Other actuarial gain and losses	*(4)*	*—*	*(4)*	*(15)*	*—*	*(15)*	*(13)*	*—*	*(13)*
Benefit payments	(49)	(48)	—	(37)	(37)	—	(39)	(39)	(1)
Settlement payments	—	—	—	—	—	—	—	—	—
Business combinations and disposals	—	(39)	39	—	(19)	19	—	7	(7)
Effect on changes in foreign exchange rates	90	86	4	(207)	(201)	(6)	68	71	(2)
Other effects	—	—	—	—	—	—	(1)	—	—
Balance at the end	**1,377**	**1,494**	**(116)**	**1,562**	**1,484**	**77**	**1,580**	**1,532**	**48**

(*) Including gains and losses arising from settlements.

(**) 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, 2021, 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)

	2022	2023	2024	2025	2026	2027-2031
Commitments in Spain	625	477	395	332	284	920
Commitments in Mexico	133	139	146	155	164	941
Commitments in Turkey	16	11	15	17	23	206
Total	**774**	**627**	**556**	**505**	**471**	**2,066**

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, 2021, 2020 and 2019:

Plan assets breakdown (Millions of Euros)

	2021	2020	2019
Cash or cash equivalents	24	38	56
Debt securities (government bonds)	2,394	2,707	2,668
Mutual funds	1	1	2
Insurance contracts	148	140	142
Total	**2,566**	**2,887**	**2,869**
Of which: Bank account in BBVA	*3*	*4*	*4*
Of which: Debt securities issued by BBVA	—	—	—
Of which: Property occupied by BBVA	—	—	—

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2021, 2020 and 2019:

Investments in listed markets (Millions of Euros)

	2021	2020	2019
Cash or cash equivalents	24	38	56
Debt securities (Government bonds)	2,394	2,707	2,668
Mutual funds	1	1	2
Total	**2,418**	**2,747**	**2,727**
Of which: Bank account in BBVA	*3*	*4*	*4*
Of which: Debt securities issued by BBVA	—	—	—
Of which: Property occupied by BBVA	—	—	—

The remainder of the assets are mainly invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2021, 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 accompanying consolidated balance sheet (see Note 44.1).

26. Common stock

As of December 31, 2021, 2020 and 2019, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entries. All of the Bank 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 common stock.

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, 2021, 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, 2021, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 14.26%, 2.45%, and 7.69% 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.

GQG Partners LLC, on February 11, 2021, notified the Spanish National Securities Market Commission (CNMV) that it now has a direct interest in BBVA's capital stock, totaling 3.090%, through voting rights attributed to the shares.

On the other hand, BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. Furthermore, BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

BBVA banking subsidiaries, associates and joint ventures worldwide, are subject to supervision and regulation from a variety of regulatory bodies in relation to, among other aspects, the satisfaction of minimum capital requirements. The obligation to satisfy such capital requirements may affect the ability of such entities to transfer funds in the form of cash dividends, loans or advances. In addition, under the laws of the various jurisdictions where such entities are incorporated, dividends may only be paid out through funds legally available for such purpose. Even when the minimum capital requirements are met and funds are legally available, the relevant regulators or other public administrations could discourage or delay the transfer of funds to the Group in the form of cash, dividends, loans or advances for prudential reasons.

Resolutions adopted by the Annual General Meeting

Capital increase

BBVA's AGM held on March 17, 2017 resolved, under agenda item four, to confer authority on the Board of Directors to increase Bank's share capital, on one or several occasions, within the legal term of five years of the approval date of the authorization, up to the maximum amount corresponding to 50% of Bank's share capital at the time on which the resolution was adopted, likewise conferring authority to the Board of Directors to totally or partially exclude shareholders' pre-emptive subscription rights over any specific issue that may be made under such authority.

However, the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may also be made with the exclusion of pre-emptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments and this limit not being applicable to contingent convertible issues) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

As of the date of this document, the Bank's Board of Directors has not exercised the authority conferred by the AGM.

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, 2021, the balance under this heading in the accompanying consolidated balance sheets was €23,599 million. As of December 31, 2020 and 2019, the balance under this heading was €23,992 million (see Note 4).

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use (see Note 26).

28. Retained earnings, revaluation reserves and other reserves

28.1 Breakdown of the balance

The breakdown of the balance under this heading in the accompanying consolidated balance sheets is as follows:

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of Euros)

	2021	2020	2019
Legal reserve	653	653	653
Restricted reserve	761	120	124
Voluntary reserves (*)	3,994	8,117	8,331
Total reserves holding company (**)	**5,409**	**8,890**	**9,108**
Consolidation reserves attributed to the Bank and subsidiary consolidated companies	24,575	21,454	20,161
Total	**29,984**	**30,344**	**29,269**

(*) The variation in 2021 is mainly due to the allocation of earnings of BBVA, S.A. and the share repurchase program (see Note 4).

(**) 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, 2021, 2020 and 2019, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)

	2021	2020	2019
Restricted reserve for retired capital	88	88	88
Restricted reserve for Parent Company shares and loans for those shares (*)	672	30	34
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**761**	**120**	**124**

(*) The variation in 2021 is mainly due to the share buyback program (see Note 4).

The restricted reserve for retired capital resulted from the reduction of the nominal par value of the BBVA shares made in April 2000.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the parent company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the parent company common stock in euros.

28.4 Retained earnings, Revaluation reserves and Other reserves by entity

The breakdown, by company or corporate group, under the headings “Retained earnings”, “Revaluation reserves” and “other reserves” in the accompanying consolidated balance sheets is as follows:

Retained earnings, revaluation reserves and other reserves. Breakdown by company or corporate group (Millions of Euros)

	2021	2020	2019
Retained earnings (losses), revaluation reserves and other reserves			
Holding Company	12,467	15,014	16,623
BBVA Mexico Group	13,894	12,890	10,645
Garanti BBVA Group	3,043	2,509	1,985
BBVA Provincial Group	1,721	1,731	1,736
BBVA Argentina Group	1,423	1,302	1,169
BBVA Colombia Group	1,393	1,287	1,130
BBVA Peru Group	1,031	984	848
Corporación General Financiera, S.A.	322	920	932
Forum Servicios Financieros S.A.	604	619	597
Sociedades inmobiliarias CX	277	251	266
BBV America, S.L.	270	262	247
BBVA Seguros, S.A.	239	(35)	(99)
Pecri Inversión, S.L.	118	114	(50)
BBVA Uruguay Group	106	87	56
Bilbao Vizcaya Holding, S.A.	68	77	62
Compañía de Cartera de Inversiones, S.A.	42	59	47
Gran Jorge Juan, S.A.	57	42	27
BBVA USA Group	—	(1,098)	(308)
Anida Grupo Inmobiliario	(556)	(594)	(587)
Sociedades inmobiliarias Unnim	(655)	(617)	(594)
Anida Operaciones Singulares, S.A.	(5,512)	(5,409)	(5,375)
Other	(121)	112	27
Subtotal (*)	**30,231**	**30,508**	**29,388**
Other reserves or accumulated losses of investments in joint ventures and associates			
ATOM Bank PLC	(158)	(91)	(56)
Metrovacesa, S.A.	(84)	(84)	(75)
Other	(5)	11	12
Subtotal	**(247)**	**(164)**	**(119)**
Total	**29,984**	**30,344**	**29,269**

(*) 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, 2021, 2020 and 2019 the Group entities performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of euros)

	2021		2020		2019	
	Number of Shares	**Millions of Euros**	**Number of Shares**	**Millions of Euros**	**Number of Shares**	**Millions of Euros**
Balance at beginning	**14,352,832**	**46**	**12,617,189**	**62**	**47,257,691**	**296**
+ Purchases (*)	203,530,570	1,022	234,691,887	807	214,925,699	1,088
- Sales and other changes	(90,250,003)	(417)	(232,956,244)	(830)	(249,566,201)	(1,298)
+/- Derivatives on BBVA shares	—	(4)	—	7	—	(23)
+/- Other changes	—	—	—	—	—	—
Balance at the end	**127,633,399**	**647**	**14,352,832**	**46**	**12,617,189**	**62**
Of which:						
Held by BBVA, S.A.(*)	*112,733,730*	*574*	*592,832*	*9*	*—*	*—*
Held by Corporación General Financiera, S.A.	*14,899,669*	*72*	*13,760,000*	*37*	*12,617,189*	*62*
Held by other subsidiaries	*—*	*—*	*—*	*—*	*—*	*—*
Average purchase price in Euros	5.02	—	3.44	—	5.06	—
Average selling price in Euros	4.89	—	3.63	—	5.20	—
Net gains or losses on transactions (Shareholders' funds-Reserves)		17		—		13

(*) In 2021 includes the share buyback program (see Note 4).

The percentages of treasury shares held by the Group in the years ended December 31, 2021, 2020 and 2019 are as follows:

Treasury Stock

	2021			2020			2019		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.108%	1.922%	1.914%	0.008%	0.464%	0.215%	0.138%	0.746%	0.213%

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2021, 2020 and 2019 is as follows:

Shares of BBVA accepted in pledge

	2021	**2020**	**2019**
Number of shares in pledge	29,372,853	39,407,590	43,018,382
Nominal value	0.49	0.49	0.49
% of share capital	0.44%	0.59%	0.65%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2021, 2020 and 2019 is as follows:

Shares of BBVA owned by third parties but managed by the Group

	2021	**2020**	**2019**
Number of shares owned by third parties	17,645,506	18,266,509	23,807,398
Nominal value	0.49	0.49	0.49
% of share capital	0.26%	0.27%	0.36%

30. Accumulated other comprehensive income (loss)

The breakdown of the balance under this heading in the accompanying consolidated balance sheets is as follows

Accumulated other comprehensive income (loss). Breakdown by concepts (Millions of Euros)

	Notes	2021	2020	2019
Items that will not be reclassified to profit or loss		**(2,075)**	**(2,815)**	**(1,875)**
Actuarial gains (losses) on defined benefit pension plans		(998)	(1,474)	(1,498)
Non-current assets and disposal groups classified as held for sale		—	(65)	2
Fair value changes of equity instruments measured at fair value through other comprehensive income	13.4	(1,079)	(1,256)	(403)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		2	(21)	24
Items that may be reclassified to profit or loss		**(14,401)**	**(11,541)**	**(8,351)**
Hedge of net investments in foreign operations (effective portion)		(146)	(62)	(896)
Mexican peso		*(681)*	*(362)*	*(588)*
Turkish lira		*555*	*317*	*163*
Other exchanges		*(19)*	*(18)*	*(471)*
Foreign currency translation		(14,988)	(14,185)	(9,147)
Mexican peso		*(4,503)*	*(5,220)*	*(3,557)*
Turkish lira		*(6,607)*	*(4,960)*	*(3,750)*
Argentine peso		*(1,024)*	*(1,247)*	*(1,124)*
Venezuela Bolívar		*(1,858)*	*(1,860)*	*(1,854)*
Other exchanges		*(995)*	*(898)*	*1,138*
Hedging derivatives. Cash flow hedges (effective portion)		(533)	10	(44)
Fair value changes of debt instruments measured at fair value through other comprehensive income	13.4	1,274	2,069	1,760
Non-current assets and disposal groups classified as held for sale (*)		—	644	(18)
Share of other recognized income and expense of investments in joint ventures and associates		(9)	(17)	(5)
Total		**(16,476)**	**(14,356)**	**(10,226)**

(*) Corresponds mainly to BBVA USA in 2020 (see Notes 1.3, 3 and 21).

The balances recognized under these headings are presented net of tax.

The main changes in 2021 are explained by the depreciation against the euro of some of the currencies of the main geographies where the Group operates against the euro such as the Turkish lira (40.2%), Peruvian sol (1.3%), Colombian peso (6.6%) and Argentine peso (11.3%); partially offset by the appreciation against the euro of the Mexican peso (5.5%) and the application of IAS 29 of Argentina (see Note 2.2.19).

31. Non-controlling interest

The table below is a breakdown by groups of consolidated entities of the balance under the heading "Minority interests (non-controlling interest)" of total equity in the accompanying consolidated balance sheets is as follows:

Non-controlling interests: breakdown by subgroups (Millions of Euros)	2021	2020	2019
Garanti BBVA	2,851	3,692	4,240
BBVA Peru	1,212	1,171	1,334
BBVA Argentina	557	416	422
BBVA Colombia	76	70	76
BBVA Venezuela	70	65	71
Other entities	87	56	57
Total	**4,853**	**5,471**	**6,201**

These amounts are broken down by groups of consolidated entities under the heading "Attributable to minority interests (non-controlling interests)" in the accompanying consolidated income statements:

Profit attributable to non-controlling interests (Millions of Euros)	2021	2020	2019
Garanti BBVA	758	579	524
BBVA Peru	143	126	236
BBVA Argentina	26	38	60
BBVA Colombia	9	6	11
BBVA Venezuela	3	2	(1)
Other entities	25	5	4
Total	**965**	**756**	**833**

Dividends distributed to non-controlling interest of the Group during the year 2021 are: BBVA Banco Continental Group €76 million, BBVA Garanti Group €38 million and other Group entities accounted for €5 million.

32. Capital base and capital management

32.1 Capital base

As of December 31, 2021, 2020 and 2019, 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.

Following the latest SREP (Supervisory Review and Evaluation Process) decision, applicable as from March 1, 2022, the ECB has informed the Group that the Pillar 2 requirement would remain at 1.5% (0.84% must be CET1 at least). Therefore, BBVA must maintain a CET1 capital ratio of 8.60% and a total capital ratio of 12.76% at the consolidated level.

The BBVA Group has set the objective of maintaining a fully-loaded CET1 ratio at a consolidated level of between 11.5% -12.0%, increasing the target distance to the minimum requirement (currently at 8.60%) at 290-340 basis points. At closing of the financial year 2021, the fully-loaded CET1 ratio is above this target management range.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2021, 2020 and 2019 is shown below:

Eligible capital resources (Millions of Euros)	Notes	2021 (*)	2020	2019
Capital	26	3,267	3,267	3,267
Share premium	27	23,599	23,992	23,992
Retained earnings, revaluation reserves and other reserves	28	29,984	30,344	29,269
Other equity instruments, net		60	42	56
Treasury shares	29	(647)	(46)	(62)
Profit (loss) attributable to the parent company	5	4,653	1,305	3,512
Interim dividend		(532)	—	(1,084)
Total equity		**60,384**	**58,904**	**58,950**
Accumulated other comprehensive income (loss)	30	(16,476)	(14,356)	(10,226)
Non-controlling interest	31	4,853	5,472	6,201
Shareholders' equity		**48,760**	**50,020**	**54,925**
Goodwill and other intangible assets		(1,484)	(3,455)	(6,803)
Deductions		**(1,484)**	**(3,455)**	**(6,803)**
Differences from solvency and accounting perimeter		(131)	(186)	(215)
Equity not eligible at solvency level		**(131)**	**(186)**	**(215)**
Other adjustments and deductions (**)		**(7,208)**	**(3,449)**	**(4,253)**
Common Equity Tier 1 (CET 1)		**39,937**	**42,931**	**43,653**
Additional Tier 1 before Regulatory Adjustments		**5,737**	**6,666**	**6,048**
Total Regulatory Adjustments to Additional Tier 1		**—**	**—**	**—**
Tier 1		**45,674**	**49,597**	**49,701**
Tier 2		**7,383**	**8,547**	**8,304**
Total Capital (Total Capital=Tier 1 + Tier 2)		**53,057**	**58,145**	**58,005**
Total Minimum equity required		**39,274**	**45,042**	**46,540**

(*) Provisional data.

(**) 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 (see Note 4) and the amount of shareholders remuneration pending to be distributed.

The Group's own funds in accordance with the aforementioned applicable regulation as of December 31, 2021, 2020 and 2019 are shown below:

Amount of capital CC1 (Millions of Euros)

	2021 (*)	2020	2019
Capital and share premium	26,866	27,259	27,259
Retained earnings and equity instruments	30,745	29,974	29,127
Other accumulated income and other reserves	(17,200)	(14,023)	(10,133)
Minority interests	2,800	3,656	4,404
Net interim attributable profit	2,564	860	1,316
Common Equity Tier I (CET1) before other regulatory adjustments	**45,775**	**47,726**	**51,974**
Goodwill and intangible assets	(1,484)	(3,455)	(6,803)
Direct, indirect and synthetic holdings in own Common Equity Tier I instruments (**)	(2,800)	(366)	(484)
Deferred tax assets	(1,009)	(1,478)	(1,420)
Other deductions and filters	(545)	504	386
Total common equity Tier 1 regulatory adjustments	**(5,838)**	**(4,795)**	**(8,321)**
Common equity TIER 1 (CET1)	**39,937**	**42,931**	**43,653**
Capital instruments and share premium accounts classified as liabilities and qualifying as Additional Tier I	5,265	6,130	5,400
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	472	536	648
Additional Tier 1 (CET 1) before regulatory adjustments	**5,737**	**6,666**	**6,048**
Transitional CET 1 adjustments	—	—	—
Total regulatory adjustments to additional Tier 1	**—**	**—**	**—**
Additional Tier 1 (AT1)	**5,737**	**6,666**	**6,048**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**45,674**	**49,597**	**49,701**
Capital instruments and share premium accounted as Tier 2	4,324	4,540	3,242
Qualifying Tier 2 capital included in consolidated T2 capital issued by subsidiaries and held by third parties	2,516	3,410	4,512
Credit risk adjustments	722	604	631
Tier 2 before regulatory adjustments	**7,562**	**8,554**	**8,385**
Tier 2 regulatory adjustments	**(179)**	**(6)**	**(82)**
Tier 2	**7,383**	**8,547**	**8,304**
Total capital (Total capital=Tier 1 + Tier 2)	**53,057**	**58,145**	**58,005**
Total RWA	**307,791**	**353,273**	**364,448**
CET 1 (phased-in)	12.98%	12.15%	11.98%
Tier 1 (phased-in)	14.84%	14.04%	13.64%
Total capital (phased-in)	17.24%	16.46%	15.92%

(*) Provisional data.

(**) Includes mainly the amount of repurchase of own shares pending to be executed and up to the maximum limit authorized by the ECB for the BBVA Group (see Note 4).

As of December 2021 Common Equity Tier 1 (CET1) fully-loaded ratio stood at 12.75% which represented an increase of 102 basis points with respect to 2020, with the CET1 phased-in ratio at 12.98%, which represented an increase of 82 basis points with respect to 2020. The difference is mainly explained by the effect of the transitory adjustments for the treatment in the solvency ratios of the impacts of IFRS 9.

These fully-loaded ratios include the effect of divestment in BBVA Paraguay in the first quarter and in the United States in the second quarter (see Note 3). In addition, these ratios include the singular effects of the restructuring process (see Note 24) and the deduction of the total amount of the share buyback program authorized by the European Central Bank for €3,500 million. Excluding these impacts, during the period, the high organic generation of profits, net of shareholder remuneration and the payment of the Contingent Convertible bonds (CoCos) contributed by +81 basis points to the CET1 ratio and covered the negative evolution of market variables, as well as the supervisory impacts and regulatory changes.

Fully-loaded risk-weighted assets (RWAs) decreased by approximately €-45.400 million, mainly as a result of the sale of BBVA USA and BBVA Paraguay.

The fully-loaded additional Tier 1 capital ratio (AT1) stood at 1.87% (1.86% phased-in) at December 31, 2021, which included the reduction of €1.000 million due to the early amortization of a series of CoCos issued in 2016, offset by the positive effect of RWA reduction.

The fully-loaded Tier 2 ratio stood at 2.37%, which represents an increase of +7 basis points compared to December 31, 2020, mainly explained by the RWA reduction during the year. The phased-in Tier 2 ratio stood at 2.40%. The difference with the fully-loaded Tier 2 ratio relates mainly to the transitional treatment of certain subordinated issuances.

In February 2021, BBVA Uruguay issued the first sustainable bond in the Uruguayan financial market for USD15 million at an initial interest rate of 3.854%.

As result of the above, the total fully-loaded capital ratio stood at 16.98% as of December 31, 2021, and total phased-in ratio stood at 17.24%.

Regarding MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA has received a new communication from the Bank of Spain regarding its minimum requirement that has been calculated taking into account the financial and supervisory information as of December 31, 2019.

In accordance with this new MREL communication, BBVA has to reach, by January 1, 2022, an amount of own funds and eligible liabilities equal to 24.78% (in accordance with the new applicable regulation, the MREL in RWAs and the subordination requirement in RWAs do not include the combined capital buffer requirement; for these purposes, the applicable combined capital buffer requirement, 2.5%, without prejudice to any other buffer that may be applicable at any time) of the total RWAs of its resolution group, on sub-consolidated level (the “MREL in RWAs”). Within this MREL in RWAs, an amount equal to 13.50% of the RWAs shall be met with subordinated instruments (the "subordination requirement in RWA"). This MREL in RWAs is equal to 10.25% in terms of the total exposure considered for calculating the leverage ratio (the “MREL in LR”), while the subordination requirement in RWAs is equal to 5.84% in terms of the total exposure considered for calculating the leverage ratio (the "subordination requirement in LR"). For BBVA, the most restrictive requirement as of today is the one expressed in RWA. The current own funds and eligible liabilities structure of the resolution group as of June 30, 2021 meets the MREL in RWAs, being the MREL ratio in terms of RWA of 28.34%. Finally, as of December 31, 2021, the MREL in LR is 11.35% and the subordination ratios in terms of RWA and in terms of LR are 24.65% and 9.87%, respectively.

32.2 Leverage ratio

The leverage ratio (LR) is a regulatory measure complementing capital designed to guarantee the soundness and 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 bank’s current or potential leverage of a given balance-sheet position (Leverage ratio exposure).

Breakdown of leverage ratio as of December 31, 2021, 2020 and 2019, calculated according to CCR, is as follows:

Leverage ratio

	2021 (*)	2020	2019
Tier 1 (millions of Euros) (a)	45,674	49,597	49,701
Exposure to leverage ratio (millions of Euros) (b)	673,729	741,095	731,087
Leverage ratio (a)/(b) (percentage)	6.78%	6.69%	6.80%

(*) Provisional data.

Finally, as of December 31, 2021, the phased-in leverage ratio, which includes the transitory treatment of certain capital elements (mainly the impact of IFRS 9), stood at 6.78%. These figures include the effect of the temporary exclusion of certain positions with central banks provided for in the "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 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 the regulations and procedures that, ensure adequate capital management.

33. Commitments and guarantees given

The breakdown of the balance under these headings in the accompanying consolidated balance sheets is as follows:

Commitments and guarantees given (Millions of Euros)

	Notes	2021	2020	2019
Loan commitments given	**7.2.2**	**119,618**	**132,584**	**130,923**
Of which: impaired		*171*	*265*	*270*
Central banks		—	—	—
General governments		3,483	2,919	3,117
Credit institutions		16,085	11,426	11,742
Other financial corporations		4,583	5,862	4,578
Non-financial corporations		59,475	71,011	65,475
Households		35,991	41,366	46,011
Financial guarantees given	**7.2.2**	**11,720**	**10,665**	**10,984**
Of which: impaired (*)		*245*	*290*	*224*
Central banks		—	1	—
General governments		162	132	125
Credit institutions		312	339	995
Other financial corporations		1,026	587	583
Non-financial corporations		10,039	9,376	8,986
Households		181	231	295
Other commitments given	**7.2.2**	**34,604**	**36,190**	**39,209**
Of which: impaired (*)		*541*	*477*	*506*
Central banks		2	124	1
General governments		212	199	521
Credit institutions		4,266	5,285	5,952
Other financial corporations		1,753	2,902	2,902
Non-financial corporations		28,224	27,496	29,682
Households		147	182	151
Total	**7.2.2**	**165,941**	**179,440**	**181,116**

(*) In December 2020, it includes the balance of the Group's businesses in the United States included in the USA Sale (see Notes 1.3, 3 and 21). Non-performing financial guarantees given amounted to €786, €767 and €731 million, respectively, as of December 31, 2021, 2020 and 2019.

As of December 31, 2021, the provisions for loan commitments, financial guarantees and other commitments, recorded in the consolidated balance sheet amounted to €272 million, €164 million and €256 million, respectively (see Note 24).

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered to be the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In the years 2021, 2020 and 2019, 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, 2021, 2020 and 2019 there were no material contingent assets or liabilities other than those disclosed in the accompanying 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)	2021	2020	2019
Financial instruments entrusted to BBVA by third parties	356,985	357,022	693,497
Conditional bills and other securities received for collection	10,795	10,459	13,133
Securities lending	2,605	5,285	7,129
Total	**370,385**	**372,766**	**713,759**

37. Net interest income

37.1 Interest and other income

The breakdown of the interest and other income recognized in the accompanying consolidated income statement is as follows:

Interest and other income. Breakdown by origin (Millions of Euros)	2021	2020	2019
Financial assets held for trading	1,084	1,189	2,037
Financial assets designated at fair value through profit or loss	11	8	5
Financial assets at fair value through other comprehensive income	1,880	1,392	1,629
Financial assets at amortized cost	18,364	18,357	22,741
Insurance activity	1,084	1,021	1,079
Adjustments of income as a result of hedging transactions	(84)	(112)	(72)
Other income (*)	675	534	343
Total	**23,015**	**22,389**	**27,762**

(*) Includes accrued interest following TLTRO III transactions (see Note 22.1).

The amounts recognized in consolidated equity in connection with hedging derivatives for the years ended December 31, 2021, 2020 and 2019 and the amounts derecognized from the consolidated equity and taken to the consolidated income statements during those years are included in the accompanying "Consolidated statements of recognized income and expense".

37.2 Interest expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Interest expense. Breakdown by origin (Millions of Euros)	2021	2020	2019
Financial liabilities held for trading	1,339	742	1,229
Financial liabilities designated at fair value through profit or loss	52	61	6
Financial liabilities at amortized cost	6,130	6,346	9,953
Adjustments of expense as a result of hedging transactions	(360)	(413)	(250)
Insurance activity	773	721	753
Cost attributable to pension funds	52	57	85
Other expense	342	284	196
Total	**8,329**	**7,797**	**11,972**

38. Dividend income

The balances for this heading in the accompanying 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)	2021	2020	2019
Non-trading financial assets mandatorily at fair value through profit or loss	64	15	26
Financial assets at fair value through other comprehensive income	112	122	126
Total	**176**	**137**	**153**

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 €1 million as of December 31, 2021, compared with the negative impact of €39 million and the negative impact of €42 million recorded as of December 31, 2020 and 2019, respectively.

40. Fee and commission income and expense

The breakdown of the balance under these headings in the accompanying consolidated income statements is as follows:

Fee and commission income. Breakdown by origin (Millions of Euros)	2021	2020	2019
Bills receivables	23	27	39
Demand accounts	425	322	301
Credit and debit cards and OPS	2,628	2,089	2,862
Checks	136	136	198
Transfers and other payment orders	664	555	623
Insurance product commissions	215	159	158
Loan commitments given	234	185	187
Other commitments and financial guarantees given	364	349	377
Asset management	1,250	1,100	1,026
Securities fees	267	367	294
Custody securities	169	135	123
Other fees and commissions	622	556	599
Total	**6,997**	**5,980**	**6,786**

The breakdown of fee and commission expense under these heading in the accompanying consolidated income statements is as follows:

Fee and commission expense. Breakdown by origin (Millions of Euros)	2021	2020	2019
Demand accounts	5	5	6
Credit and debit cards	1,427	1,130	1,566
Transfers and other payment orders	120	97	81
Commissions for selling insurance	51	54	54
Custody securities	55	52	30
Other fees and commissions	574	519	548
Total	**2,232**	**1,857**	**2,284**

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 accompanying consolidated income statement is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	2021	2020	2019
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	134	139	186
Financial assets at amortized cost	*27*	*106*	*44*
Other financial assets and liabilities	*106*	*33*	*141*
Gains (losses) on financial assets and liabilities held for trading, net	341	777	419
Reclassification of financial assets from fair value through other comprehensive income	—	—	—
Reclassification of financial assets from amortized cost	—	—	—
Other gains (losses)	341	777	419
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	432	208	143
Reclassification of financial assets from fair value through other comprehensive income	—	—	—
Reclassification of financial assets from amortized cost	—	—	—
Other gains (losses)	432	208	143
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	335	56	(98)
Gains (losses) from hedge accounting, net	(214)	7	55
Subtotal gains (losses) on financial assets and liabilities	**1,027**	**1,187**	**705**
Exchange differences, net	883	359	581
Total	**1,910**	**1,546**	**1,286**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	2021	2020	2019
Debt instruments	158	848	945
Equity instruments	2,059	(28)	1,336
Trading derivatives and hedge accounting	(1,866)	277	(1,133)
Loans and advances to customers	100	128	78
Customer deposits	55	(79)	(26)
Other	522	42	(497)
Total	**1,027**	**1,187**	**705**

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the accompanying consolidated income statements is as follows:

Derivatives - Hedge accounting (Millions of Euros)			
	2021	2020	2019
Derivatives			
Interest rate agreements	73	269	(85)
Securities agreements	(1,500)	(36)	(1,072)
Commodity agreements	3	1	5
Credit derivative agreements	(255)	(89)	74
Foreign-exchange agreements	40	88	(75)
Other agreements	(12)	37	(35)
Subtotal	**(1,651)**	**270**	**(1,187)**
Hedging derivatives ineffectiveness			
Fair value hedges	(235)	5	55
Hedging derivative	*90*	*(151)*	*(36)*
Hedged item	*(325)*	*156*	*91*
Cash flow hedges	21	2	—
Subtotal	**(214)**	**7**	**55**
Total	**(1,866)**	**277**	**(1,133)**

In addition, in the years ended December 31, 2021, 2020 and 2019, under the heading “Exchange differences, net" in the accompanying consolidated income statements negative amounts of € 41 million, €57 million and €225 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

42. Other operating income and expense

The breakdown of the balance under the heading “Other operating income” in the accompanying consolidated income statements is as follows:

Other operating income (Millions of Euros)			
	2021	2020	2019
Gains from sales of non-financial services	301	244	258
Hyperinflation adjustment (*)	177	94	146
Other operating income	183	154	235
Total	**661**	**492**	**639**

(*) See Note 2.2.19.

The breakdown of the balance under the heading “Other operating expense” in the accompanying consolidated income statements is as follows:

Other operating expense (Millions of Euros)			
	2021	2020	2019
Change in inventories	151	124	107
Contributions to guaranteed banks deposits funds	829	800	746
Hyperinflation adjustment (*)	585	348	538
Other operating expense	475	390	551
Total	**2,041**	**1,662**	**1,943**

(*) See Note 2.2.19.

43. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Income and expense from insurance and reinsurance contracts (Millions of Euros)	2021	2020	2019
Income from insurance and reinsurance contracts	2,593	2,497	2,890
Expense from insurance and reinsurance contracts	(1,685)	(1,520)	(1,751)
Total	**908**	**977**	**1,138**

The table below shows the contribution of each insurance product to the Group´s income for the years ended December 31, 2021, 2020 and 2019:

Income by type of insurance product (Millions of Euros)	2021	2020	2019
Life insurance	622	497	631
Individual	*583*	*439*	*477*
Group insurance	*39*	*59*	*154*
Non-Life insurance	286	480	508
Home insurance	*—*	*91*	*90*
Other non-life insurance products	*286*	*389*	*418*
Total	**908**	**977**	**1,138**

44. Administration costs

44.1 Personnel expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Personnel expense (Millions of Euros)	Notes	2021	2020	2019
Wages and salaries		3,933	3,610	4,103
Social security costs		668	671	725
Defined contribution plan expense	25	71	72	95
Defined benefit plan expense	25	49	49	49
Other personnel expense		325	293	379
Total		**5,046**	**4,695**	**5,351**

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, 2021, 2020 and 2019, corresponding to the remuneration plans based on equity instruments in each year, amounted to €33 million, €16 million and €31 million, respectively. These amounts have been recognized with a corresponding entry under the heading "Shareholders' funds - Other equity instruments" in the accompanying 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, designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2021, this remuneration scheme is reflected in the following remuneration policies:

- **BBVA Group General Remuneration Policy**, approved by the Board of Directors on June 30, 2021, that applies to employees and senior managers at BBVA (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 Senior Management.

- **BBVA Directors' Remuneration Policy**, approved by the General Shareholders' Meeting of BBVA held on April 20, 2021, that it's applicable to the members of the Board of Directors of BBVA. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, incorporating some particularities of their own, derived from their condition of directors.

The variable remuneration for the Identified Staff members is subject to the following rules established in their corresponding remuneration policies, specifically:

- Annual Variable Remuneration for Identified Staff members for each financial year will be subject to ex ante adjustments, so that it shall be reduced at the time of their appraisal in the event of a downturn in the Group's results or other parameters such as the level of achievement of budgeted targets, and it will not accrue or it will accrue in a reduced amount, should a certain level of profits and capital ratio not be achieved in accordance with the provisions of applicable regulations at any given time.

- 60% of the Annual Variable Remuneration will be vested and paid, if conditions are met, as a general rule, in the first four months of the financial year following that to which the Annual Variable Remuneration corresponds (the "Upfront Portion"). For executive directors, members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter, the "Deferred Portion") for a 5 year-period for executive directors and members of the Senior Management, and 4 years for the remaining members of the Identified Staff.

- 50% of the Annual Variable Remuneration, including both the Upfront Portion and the Deferred Portion, shall be established in BBVA shares or in instruments linked to BBVA shares. As regards executive directors and Senior Management, 60% of the Deferred Portion shall be established in shares.

- The shares or instruments awarded as Annual Variable Remuneration, both from the Upfront Portion and the Deferred Portion, shall be withheld for a one-year period after delivery. This will not apply to those shares or instruments the sale of which would be required to honor the payment of taxes accruing on delivery.

- The Deferred Portion of the Annual Variable Remuneration may be reduced, but never increased, depending on the results of multi-year performance indicators which are aligned with the Group's core risk management and control metrics related to the solvency, liquidity, profitability or value creation.

- The cash amounts of the Deferred Portion of Annual Variable Remuneration finally vested, shall be updated by applying the Consumer Price Index (CPI), measured as year-on-year change in prices, or any other criteria established for such purposes by the Board of Directors.

- The entire Annual Variable Remuneration corresponding to each financial year shall be subject to arrangements for the reduction of variable remuneration ("malus") and arrangements for the recovery of variable remuneration already paid ("clawback") during the whole deferral and withholding period, which will be applicable in the event of the occurrence of any of the circumstances expressly named in the remuneration policies.

- No personal hedging strategies or insurances shall be used in connection with variable remuneration or liability that may undermine the effects of alignment with prudent risk management.

- The variable component of the remuneration for a financial year (understood as the sum of all variable components of the remuneration) shall be limited to a maximum amount of 100% of the fixed component of the total remuneration (understood as the sum of all fixed components of the remuneration), unless the General Shareholders' Meeting of BBVA resolves to increase this percentage up to a maximum of 200%.

  In this regard, the General Shareholders' Meeting of BBVA held on April 20, 2021 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 March 15, 2021.

- Any type of remuneration, other than Annual Variable Remuneration, considered to be variable remuneration shall be subject to the rules regarding award, vesting and payment applicable in accordance with the type and nature of the remuneration component itself.

During 2021, in accordance with the applicable remuneration policies, a total amount of 2,945,689 BBVA shares corresponding to the Upfront Portion of 2020 Annual Variable Remuneration, mostly, and other variable components of remuneration, has been delivered to the Identified Staff.

Additionally, according to the Remuneration Policy applicable in 2017, during 2021 a total amount of 2,965,487 BBVA shares corresponding to the first payment of the Deferred Portion of 2017 Annual Variable Remuneration of executive directors and Senior Management and to the full Deferred Portion of the 2017 Annual Variable Remuneration of the rest of the Identified Staff, has been delivered.

Detailed information on the delivery of shares to executive directors and Senior Management of BBVA who held this position as of December 31, 2021, is included in Note 54.

Lastly, in line with specific regulation applicable in Portugal and Brazil, BBVA IFIC and BBVA Brazil Banco de Investimento have identified (on an individual basis, respectively) the staff in these countries whose annual variable remuneration should be subject to a specific settlement and payment scheme established in their corresponding remuneration policies, more specifically:

- A percentage of the annual variable remuneration is subject to a three years deferral that shall be paid yearly over the mentioned period.
- 50% of the annual variable remuneration, both the upfront portion and deferred portion, shall be established in BBVA shares.
- In BBVA IFIC, resulting cash portions of the deferred portion of annual variable remuneration and subject to multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI) measured as year-on-year price variation.
- In BBVA Brasil Banco de Investimento, both the cash amounts and share amounts of the deferred portion may be subject to update adjustments in cash.

According to this remuneration scheme, during financial year 2021 a total of 15,802 BBVA shares corresponding to the upfront portion of 2020 annual variable remuneration have been delivered to these staff in Portugal and Brazil.

Additionally, during 2021 there have been delivered to these staff in Portugal and Brazil a total of 4,422 BBVA shares corresponding to the first third of the deferred portion of 2019 annual variable remuneration, as well as 332 euros as adjustments for updates (for shares delivered in Brazil). A total of 5,083 BBVA shares corresponding to the second third of the deferred portion of 2018 annual variable remuneration and 1,097 euros as adjustments for updates (for shares delivered in Brazil); and a total of 9,558 BBVA shares corresponding to the last third of the deferred portion of 2017 annual variable remuneration and 1,118 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 accompanying consolidated income statements is as follows:

Other administrative expense. Breakdown by main concepts (Millions of Euros)	**2021**	**2020**	**2019**
Technology and systems	1,176	1,088	1,060
Communications	175	172	181
Advertising	207	186	250
Property, fixtures and materials	380	404	477
Taxes other than income tax	347	344	378
Surveillance and cash courier services	179	161	188
Other expense	786	749	885
Total	**3,249**	**3,105**	**3,418**

45. Depreciation and amortization

The breakdown of the balance under this heading in the accompanying consolidated income statements for the years ended December 31, 2021, 2020 and 2019 is as follows:

Depreciation and amortization (Millions of Euros)	**Notes**	**2021**	**2020**	**2019**
Tangible assets	17	740	781	876
For own use		*437*	*453*	*523*
Right-of-use assets		*299*	*324*	*349*
Investment properties and other		*3*	*3*	*3*
Intangible assets	18.2	494	507	510
Total		**1,234**	**1,288**	**1,386**

46. Provisions or reversal of provisions

For the years ended December 31, 2021, 2020 and 2019, the net provisions recognized in this income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)

	Notes	2021	2020	2019
Pensions and other post-employment defined benefit obligations	25	61	210	213
Commitments and guarantees given		8	192	96
Pending legal issues and tax litigation		135	208	171
Other provisions (*)		814	136	133
Total		**1,018**	**746**	**614**

(*) 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 accompanying 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	2021	2020	2019
Financial assets at fair value through other comprehensive income - Debt securities		17	19	82
Financial assets at amortized cost (*)		3,017	5,160	3,470
Of which: Recovery of written-off assets by cash collection	*7.2.5*	*(423)*	*(339)*	*(919)*
Total		**3,034**	**5,179**	**3,552**

(*) In 2020, the amount included the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic (see Notes 1.5, 7.1 and 7.2)

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" did not include any impairment or reversal of impairment in the year ended 2021, and resulted in a loss of €190 million and €46 million for the years ended December 31, 2020 and 2019, respectively (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 accompanying consolidated income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)

	Notes	2021	2020	2019
Tangible assets (*)	17	161	125	94
Intangible assets		19	19	12
Others		41	9	23
Total		**221**	**153**	**128**

(*) 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 accompanying 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	2021	2020	2019
Gains on sale of real estate		39	116	86
Impairment of non-current assets held for sale (*)	21	(97)	(103)	(72)
Gains (losses) on sale of investments classified as non-current assets held for sale (**)		10	431	10
Gains on sale of equity instruments classified as non-current assets held for sale		8	—	—
Total		**(40)**	**444**	**23**

(*) In 2021, it includes the impairment due to the closing 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).

(**) The variation in year 2020 is mainly due to the transfer of half plus one share in BBVA Allianz Seguros y Reaseguros, S.A. (see Note 3).

51. Consolidated statements of cash flows

The variation between 2021, 2020 and 2019 of the financial liabilities from financing activities is the following:

Liabilities from financing activities. December 2021 (Millions of Euros)

			Non-cash changes					
	December 31, 2020	Cash flows	Acquisition	Disposal	Disposals by companies held for sale	Foreign exchange movement	Fair value changes	December 31, 2021
Liabilities at amortized cost: Debt certificates	61,780	(5,728)	—	—	—	(289)	—	55,763
Of which: Issuances of subordinated liabilities (*)	*17,248*	*(1,941)*	—	*(772)*	—	*259*	—	*14,794*

(*) Additionally, there is €14 million of subordinated deposits as of December 31, 2021 (see Note 22.4 and Appendix VI). The subordinated issuances of BBVA Paraguay and of the USA Sale perimeter as of December 31, 2020 were recorded in the heading "Liabilities included in disposal groups classified as held for sale" of the consolidated balance and amounted to €37 and €735 million, respectively. In addition, in 2021 there were coupon payments of subordinated liabilities for 359 million euros.

Liabilities from financing activities. December 2020 (Millions of Euros)

			Non-cash changes					
	December 31, 2019	Cash flows	Acquisition	Disposal	Disposals by companies held for sale (**)	Foreign exchange movement	Fair value changes	December 31, 2020
Liabilities at amortized cost: Debt certificates	63,963	3,003	—	—	(3,160)	(2,026)	—	61,780
Of which: Issuances of subordinated liabilities (*)	*17,675*	*(8)*	—	—	—	*(419)*	—	*17,248*

(*) Additionally, there were €12 million of subordinated deposits as of December 31, 2020 (see Note 22.4 and Appendix VI). The subordinated issuances of BBVA Paraguay and of the USA Sale perimeter as of December 31, 2020 were recorded in the heading "Liabilities included in disposal groups classified as held for sale" of the consolidated balance and amounted to €37 and €735 million, respectively. In addition, in 2020 there were coupon payments of subordinated liabilities for 387 million euros.

(**) Includes mainly the balance of the USA Sale perimeter (see Notes 1.3, 3 and 21).

Liabilities from financing activities. December 2019 (Millions of Euros)

	December 31, 2018	Cash flows	Non-cash changes				December 31, 2019
			Acquisition	Disposal	Foreign exchange movement	Fair value changes	
Liabilities at amortized cost: Debt certificates	61,112	2,643	—	—	209	—	63,963
Of which: Issuances of subordinated liabilities (*)	*17,635*	*(190)*	—	—	*229*	—	*17,675*

(*)Additionally, there were subordinated deposits for €384 million as of December 31, 2019 (see Note 22.4 and Appendix VI).
Subordinated issuances corresponding to BBVA Paraguay as of December 31, 2019 were recorded in the heading "Liabilities included in disposal groups classified as held for sale" and amounted to €40 million.

52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group for the years ended December 31, 2021, 2020 and 2019 with their respective auditors and other audit entities are as follows:

Fees for Audits conducted and other related services (*) (Millions of euros)

	2021	2020	2019
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (**)	24.4	27.7	28.1
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 KPMG worldwide organization	1.5	1.3	1.5
Fees for audits conducted by other firms	0.2	0.2	—

(*) Regardless of the billed year.

(**) Including fees pertaining to annual legal audits (€21.0, €23.6 and €24.1 million as of December 31, 2021, 2020 and 2019, respectively).

In the years ended December 31, 2021, 2020 and 2019, certain entities in the BBVA Group contracted other services (other than audits) as follows:

Other Services rendered (Millions of Euros)

	2021	2020	2019
Firms belonging to the KPMG worldwide organization	0.2	0.4	0.3

This total of contracted services includes the detail of the services provided by KPMG Auditores, 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 (*) (Millions of Euros)

	2021	2020	2019
Legal audit of BBVA,S.A. or its companies under control	7.2	6.5	6.5
Other audit services of BBVA, S.A. or its companies under control	5.2	5.4	5.5
Limited Review of BBVA, S.A. or its companies under control	0.9	0.9	0.9
Reports related to issuances	0.1	0.3	0.3
Assurance services and other required by the regulator	0.8	0.9	0.8

(*) Services provided by KPMG Auditores, 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, 2021, 2020 and 2019, the following are the transactions with related parties:

53.1 Transactions with significant shareholders

As of December 31, 2021, 2020 and 2019, there were no shareholders considered significant (see Note 26).

53.2 Transactions with BBVA Group entities

The balances of the main captions in the accompanying 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)

	2021	2020	2019
Assets			
Loans and advances to credit institutions	9	148	26
Loans and advances to customers	2,031	1,743	1,682
Liabilities			
Deposits from credit institutions	1	—	3
Customer deposits	296	791	453
Memorandum accounts			
Financial guarantees given	154	132	166
Other contingent commitments given	1,056	1,400	1,042
Loan commitments given	11	11	106

The balances of the main captions in the accompanying 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)

	2021	2020	2019
Income statement			
Interest and other income	16	20	19
Interest expense	—	1	1
Fee and commission income	8	5	4
Fee and commission expense	31	34	53

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 accompanying consolidated financial statements.

53.3 Transactions with members of the Board of Directors and Senior Management

Pursuant to the provisions of the Corporate Enterprises Act, the power to approve transactions that the Company or its subsidiaries conclude with members of the Board of Directors or Senior Management of the Bank or their related parties rests on the General Shareholders' Meeting if the amount or value of the transaction is equal to or exceeds 10% of total asset items according to the last approved annual balance sheet and, on the Board of Directors, in relation to the rest of related party transactions entered into, which may not be delegated, except for transactions that comply with the requirements of the Corporate Enterprises Act.

The Regulations of the Board of Directors establish that the Board of Directors will be responsible for approving, where appropriate, transactions between the Company or companies within its Group and directors or their related parties. In addition, in accordance with specific sectoral regulations, with regard to transactions with related parties, are governed by Royal Decree 84/2015 of 13 February, implementing Act 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions, and Bank of Spain Circular 2/2016 of 2 February, on the supervision and solvency of credit institutions, the Bank has specific internal regulations in this regard, which specifically govern the process of granting and approving credit risk transactions for members of BBVA Board of Directors and Senior Management, the approval of which lies with the Bank Board of Directors, and for their related parties.

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 (EUR thousand)

	2021				2020				2019			
	Directors	Related parties of Directors	Senior Management*	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management*	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management*	Related parties of Senior Management
Loans and credits	765	207	5,419	573	—	—	5,349	580	607	—	4,414	57
Bank guarantees	—	—	10	—	—	—	10	25	—	—	10	25
Business credit	—	—	—	—	—	—	—	—	—	—	—	—

*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.

53.4 Transactions with other related parties

As of December 31, 2021, 2020 and 2019 the Group has not carried out operations with other related parties that do not belong to the line of business or ordinary traffic of its activity, that are not carried out under normal market conditions and that are not of low relevance; understanding by such those whose information is not necessary to give the true image of the assets, the financial situation and the results, consolidated, of the BBVA Group.

54. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

Remuneration received by non-executive directors in 2021

The remuneration paid to non-executive members of the Board of Directors during the 2021 financial year is indicated below, individualized and itemized:

Remuneration for non-executive directors (thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions (1)	Total
José Miguel Andrés Torrecillas	129	167	66			115		50	527
Jaime Caruana Lacorte	129	167	165	107					567
Raúl Galamba de Oliveira	129			107			43		278
Belén Garijo López	129		66		107	46			349
Sunir Kumar Kapoor	129						43		172
Lourdes Máiz Carro	129		66		43				238
José Maldonado Ramos	129	167				46			342
Ana Peralta Moreno	129		66		43				238
Juan Pi Llorens	129			214		46	43	80	512
Ana Revenga Shanklin	129			107					236
Susana Rodríguez Vidarte	129	167		107		46			449
Carlos Salazar Lomelín	129				43				172
Jan Verplancke	129				43		43		214
Total (2)	**1,673**	**667**	**431**	**642**	**278**	**301**	**171**	**130**	**4,293**

(1) Amounts received during the 2021 financial year by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Director.

(2) Includes amounts corresponding to membership on the Board and its various committees during the 2021 financial year..

Also, during the 2021 financial year, €102 thousand was paid out in casualty and healthcare insurance premiums for non-executive directors.

Remuneration received by executive directors in 2021

During the 2021 financial year, the executive directors received the amount of Annual Fixed Remuneration corresponding to that financial year, established for each director in the BBVA Directors' Remuneration Policy, which was approved by the General Meeting held on 20 April 2021 .

In view of the exceptional circumstances arising from the COVID-19 crisis, the executive directors voluntarily waived the generation of all Annual Variable Remuneration (AVR) corresponding to the 2020 financial year, and as such, they did not accrue any remuneration in this respect.

2021 Annual Fixed Remuneration (thousands of Euros)

Chairman	2,924
Chief Executive Officer	2,179
Total	**5,103**

In addition, in accordance with the conditions established in the BBVA Directors' Remuneration Policy, during the 2021 financial year, the Chief Executive Officer received €654 thousand for the cash in lieu of pension item (equivalent to 30% of his Annual Fixed Remuneration)—given that he does not have a retirement pension (see the "Pension commitments" section of this Note), and €600 thousand for the mobility allowance item.

2020 Annual Variable Remuneration

	In cash (thousands of Euros)	In shares
Chairman	0	0
Chief Executive Officer	0	0
Total	**0**	**0**

In accordance with the remuneration policies applicable in 2017 and in application of the settlement and payment system for the Annual Variable Remuneration for said financial year, in 2021, the executive directors have received, the portion of the Deferred Annual Variable Remuneration for the 2017 financial year (60% of the total AVR) payable in 2021 (60% of the Deferred Portion in the case of the Chairman and the entire Deferred Portion in the case of the Chief Executive Officer), after it was determined that no downward adjustment had to be made, based on the result of the multi-year performance indicators approved for such remuneration. In the case of the Chairman, 40% of this remuneration was paid in cash and 60% in shares; and in the case of the Chief Executive Officer, this remuneration was paid in equal parts cash and shares, together, in both cases, with the corresponding update in cash, thus concluding the payment of the Chief Executive Officer's Annual Variable Remuneration for the 2017 financial year.

Deferred Annual Variable Remuneration for previous financial years (1)

	In cash (thousands of Euros)	In shares
Chairman	411	83,692
Chief Executive Officer	307	39,796
Total	**717**	**123,488**

(1) Remuneration corresponding to the Deferred AVR for the 2017 financial year payable in 2021, together with its update in cash. The Deferred AVR of the Chairman and the Chief Executive Officer for the 2017 financial year is associated with their previous positions as Chief Executive Officer and President & CEO of BBVA USA, respectively.

In addition, the executive directors received remuneration in kind during the 2021 financial year, including insurance premiums and others, amounting to an aggregate total of €486 thousand, of which €328 thousand corresponds to the Chairman and €158 thousand to the Chief Executive Officer.

Remuneration received by Senior Management in 2021

During the 2021 financial year, the members of Senior Management, excluding executive directors, received the amount of the Annual Fixed Remuneration corresponding to that financial year.

As in the case of the executive directors, the members of Senior Management did not accrue any Annual Variable Remuneration for the 2020 financial year, given that, in view of the exceptional circumstances arising from the COVID-19 crisis, they all voluntarily waived its accrual.

The remuneration paid during the 2021 financial year to members of Senior Management as a whole, who held that position as at 31 December 2021 (16 members, excluding executive directors), is itemized by remuneration item below:

2021 Annual Fixed Remuneration (thousands of euros)

Senior Management total	16,435

2020 Annual Variable Remuneration	In cash (thousands of Euros)	In shares
Senior Management total	0	0

Even though the members of Senior Management have not accrued any amount corresponding to 2020 Annual Variable Remuneration as they waived it, two members of Senior Management have received in 2021 variable remunerations corresponding to retention bonuses derived from their former positions. Therefore, in accordance with the BBVA Group General Remuneration Policy, which is applicable to the members of Senior Management, retention bonuses are considered variable remuneration and comply with applicable rules regarding payment in shares, deferral, ex post adjustments and *malus* and *clawback* arrangements established in such Policy for the Annual Variable Remuneration. The variable remunerations received in this regard in 2021 by the members of Senior Management amount to a total aggregate amount of €862 thousand and 203,834 BBVA shares.

In accordance with the remuneration policy for this group applicable in 2017 and in application of the settlement and payment system for the Annual Variable Remuneration for said financial year, in 2021, the members of Senior Management who were beneficiaries of such remuneration received the portion of the Deferred Annual Variable Remuneration for the 2017 financial year payable in 2021, after it was determined that no downward adjustment had to be made, based on the result of the multi-year performance indicators approved for such remuneration. In accordance with the remuneration policy applicable in 2017, current members of Senior Management who held such a position in the 2017 financial year were paid 40% of this remuneration in cash and 60% in shares, while, in the case of members who did not hold such a position in the 2017 financial year, this remuneration was paid in equal parts cash and shares. In both cases, the corresponding update in cash was included. This payment concluded the payment of the Annual Variable Remuneration for the 2017 financial year to the members of Senior Management who, while being members of the Identified Staff, were not members of Senior Management in that financial year.

Annual Variable Remuneration corresponding to previous financial years (1)	In cash (thousands of Euros)	In shares
Senior Management total	667	119,313

(1) Remuneration corresponding to the Deferred AVR for the 2017 financial year payable in 2021, in the case of members of Senior Management who were beneficiaries, together with its update in cash. .

In addition, all members of Senior Management, excluding executive directors, received remuneration in kind during the 2021 financial year, including insurance premiums and others, amounting to a total of €1,409 thousand.

Remuneration of executive directors due in 2022 and subsequent financial years

– Annual Variable Remuneration for executive directors for the 2021 financial year

Following the end of the 2021 financial year, the amount corresponding to the Annual Variable Remuneration of executive directors for said financial year was determined, applying the calculation rules set out in the BBVA Directors' Remuneration Policy approved by the General Meeting held on 20 April 2021, in which it is also established that the remuneration will be subject to the following vesting and payment rules:

- The Upfront Portion (40% of the 2021 Annual Variable Remuneration) will be paid, provided that the applicable conditions are met, during the first quarter of the 2022 financial year, in equal parts cash and shares, amounting to: €849 thousand and 159,235 BBVA shares in the case of the Chairman, and €645 thousand and 120,977 BBVA shares in the case of the Chief Executive Officer.

- The remaining 60% of the 2021 Annual Variable Remuneration will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, provided that the applicable conditions are met, proportionally at the end of each year for each of the five years of deferral, in an amount equal to 20% of the Deferred Portion each year: 20% in 2023, 20% in 2024, 20% in 2025, 20% in 2026 and 20% in 2027. The Deferred Portion may be reduced, but never increased, based on the result of the multi-year performance indicators determined by the Board of Directors, on the proposal of the Remuneration Committee and following analysis by the Risk and Compliance Committee, at the beginning of the 2021 financial year. Following the end of the financial year corresponding to the third year of deferral, the result of the multi-year performance indicators will determine the application of the *ex post* adjustments that, if appropriate, should be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Directors' Remuneration Policy.

- Moreover, the rest of the rules set forth in the BBVA Directors' Remuneration Policy regarding the Annual Variable Remuneration of executive directors will be applicable to 2021 Annual Variable Remuneration, including: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of using personal hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update criteria for the Deferred Portion in cash; (iv) malus and clawback arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2021.

– Deferred Annual Variable Remuneration for executive directors for the 2018 financial year

Following the end of the 2021 financial year, the Deferred Annual Variable Remuneration for the 2018 financial year of executive directors, due to be delivered in 2022, provided that the applicable conditions are met, to executive directors, in the percentages applicable in each case in accordance with the payment schedule established in the remuneration policies in effect in the 2018 financial year and applicable to each of them, was determined.

Therefore, the final amount of the Deferred Annual Variable Remuneration for the 2018 financial year was determined, which has been adjusted downwards based on the result of the multi-year performance indicators set by the Board of Directors in 2018 for its calculation and in application of the corresponding scales of achievement and their corresponding targets and weightings. In addition, the amount of the 2018 Deferred Annual Variable Remuneration of executive directors payable in 2022 (60% of the Deferred Portion of the 2018 AVR in the case of the Chairman and the entire 2018 Deferred AVR in the case of the Chief Executive Officer) was determined in the amount of €364 thousand and 107,386 BBVA shares in the case of the Chairman, and €332 thousand and 61,282 BBVA shares in the case of the Chief Executive Officer. In both cases, this includes the corresponding updates in cash.

– Deferred Annual Variable Remuneration for the Chairman for the 2017 financial year

Following the close of the 2020 financial year, the Deferred Annual Variable Remuneration for the 2017 financial year of executive directors, due to be delivered in 2021, provided that the applicable conditions were met, to executive directors, in the percentages applicable in each case in accordance with the payment schedule established in the remuneration policies in effect in the 2017 financial year and applicable to each of them, was determined.

Thus, based on the result of each of the multi-year performance indicators set by the Board of Directors in 2017 to calculate the Deferred Portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, the final amount of the Deferred Annual Variable Remuneration for the 2017 financial year for executive directors was determined and the amounts due to be paid in 2021 were paid (60% of his Deferred Annual Variable Remuneration for the 2017 financial year in the case of the Chairman, and the whole of it in the case of the Chief Executive Officer); all of which was reported in that financial year.

In 2022, the second payment (20%) of the 2017 Deferred AVR, which was determined to amount to €146 thousand and 27,898 BBVA shares, is due to the Chairman, including the corresponding update.

– Outstanding deferred Annual Variable Remuneration for executive directors

As of the end of the 2021 financial year, in accordance with the conditions established in the remuneration policies applicable in previous years, in addition to the third payment (20%) of the 2017 Deferred AVR (due to be paid in 2023) and 40% of the 2018 Deferred AVR of the Chairman (due to be paid in 2023 and 2024), 60% of the 2019 and 2021 Annual Variable Remuneration for both executive directors remains deferred and will be received in future years, provided that the applicable conditions are met.

Remunerations of Senior Management due in 2022 and subsequent financial years

– Annual Variable Remuneration for Senior Management for the 2021 financial year

Following the end of the 2021 financial year, the Annual Variable Remuneration of members of Senior Management corresponding to said financial year was determined (16 members as at 31 December 2021, excluding executive directors). For all members of Senior Management in aggregate, excluding executive directors, this Annual Variable Remuneration amounted to a total of €9,151 thousand, applying the rules established in the BBVA Group General Remuneration Policy, in which the following applicable vesting and payment rules are established:

- The Upfront Portion (40% of the 2021 Annual Variable Remuneration) will be paid, provided that the applicable conditions are met, during the first four months of the 2022 financial year, in equal parts cash and shares, which represents a total aggregate amount of €1,830 thousand and 346,106 BBVA shares.

- The remaining 60% of the 2021 Annual Variable Remuneration will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, provided that the applicable conditions are met, proportionally at the end of each year for each of the 5 years of deferral, in an amount equal to 20% of the Deferred Portion each year: 20% in 2023, 20% in 2024, 20% in 2025, 20% in 2026 and 20% in 2027. The Deferred Portion may be reduced, but never increased, based on the result of the multi-year performance indicators determined by the Board of Directors, on the proposal of the Remuneration Committee and following analysis by the Risk and Compliance Committee, at the beginning of the 2021 financial year. Following the end of the financial year corresponding to the third year of deferral, the result of the multi-year performance indicators will determine the application of the *ex post* adjustments that, if appropriate, should be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Group General Remuneration Policy.

- Moreover, the rest of the rules set forth in the BBVA Group General Remuneration Policy regarding the Annual Variable Remuneration of members of Senior Management will be applicable to 2021 Annual Variable Remuneration, including: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of using personal hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update criteria for the Deferred Portion in cash; (iv) *malus* and *clawback* arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as agreed by the General Meeting held on 2021.

– Deferred Annual Variable Remuneration for Senior Management for the 2018 financial year.

Following the end of the 2021 financial year, the Deferred Annual Variable Remuneration for members of Senior Management (16 members as at 31 December 2021, excluding executive directors) for the 2018 financial year due to be delivered in 2022, provided that the applicable conditions are met, to members of Senior Management who were beneficiaries of said remuneration, in the percentages applicable in each case in accordance with the payment schedule established in the remuneration policies in effect in the 2018 financial year and applicable to each of them, was determined.

Thus, the final amount of the Deferred Annual Variable Remuneration for the 2018 financial year, which has been adjusted downwards based on the result of the multi-year performance indicators set by the Board of Directors in 2018 for its calculation and in application of the corresponding scales of achievement and their corresponding objectives and weightings, was determined. Thus, the amount of the Deferred Portion of the Annual Variable Remuneration for the 2018 financial year due for delivery in 2022 to those members of Senior Management who were beneficiaries thereof, excluding executive directors, was determined to amount to an aggregate total amount of €691 thousand and 177,104 BBVA shares, including the corresponding updates.

– Deferred Annual Variable Remuneration for Senior Management for the 2017 financial year

Following the end of the 2020 financial year, the Deferred Annual Variable Remuneration for the 2017 financial year for members of Senior Management, excluding executive directors, payable in 2021 to the members of Senior Management who were beneficiaries thereof, provided that the applicable conditions were met, in the corresponding amounts in each case in accordance with the percentages applicable per the payment schedule established in the remuneration policies in effect in the 2017 financial year and applicable to each of them, was determined.

Thus, based on the result of each of the multi-year performance indicators set by the Board of Directors in 2017 to calculate the Deferred Portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, the final amount of the Deferred Annual Variable Remuneration for the 2017 financial year for members of Senior Management, excluding executive directors, was determined and the amounts payable in 2021 in each case were paid, all of which was reported in that financial year.

In 2022, provided that the applicable conditions are met, an aggregate total amount of €156 thousand euros and 29,267 BBVA shares, including the corresponding updates, is due to be paid to members of Senior Management (16 members as at 31 December 2021, excluding executive directors) as Deferred Annual Variable Remuneration for the 2017 financial year.

– Outstanding deferred Annual Variable Remuneration for Senior Management

As of the end of the 2021 financial year, in accordance with the conditions established in the remuneration policies applicable in previous years, in addition to the third payment (20%) of the 2017 Deferred AVR (due to be paid in 2023), 40% of the 2018 Deferred AVR (due to be paid in 2023 and 2024), and 60% of the 2019 Deferred AVR (due to be paid in 2023, 2024 and 2025) in the case of some members of Senior Management, 60% of the Annual Variable Remuneration for the 2021 financial year remains deferred and will be received in future years, if the applicable conditions are met.

Fixed remuneration system with deferred delivery of shares for non-executive directors

BBVA has a fixed remuneration system with BBVA shares with deferred delivery for its non-executive directors, which was approved by the General Meeting held on 18 March 2006 and extended by resolutions of the General Meetings held on 11 March 2011 and 11 March 2016 for a further five-year period in each case, and by the General Meeting held on 20 April 2021 for a further three-year period.

This system is based on the annual allocation to non-executive directors of a number of "theoretical shares" of BBVA equivalent to 20% of the total annual fixed allowance in cash received by each director in the previous financial year, calculated according to the average closing price of the BBVA share during the 60 trading sessions prior to the dates of the Annual General Meetings approving the corresponding financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for any reason other than serious dereliction of their duties.

The "theoretical shares" allocated to non-executive directors who are beneficiaries of the fixed remuneration system with shares with deferred delivery in the 2021 financial year, corresponding to 20% of the total annual fixed allowance in cash received by each of them in the 2020 financial year, were as follows:

	Theoretical shares allocated in 2021 (1)	Theoretical shares accumulated as at 31 December 2021
José Miguel Andrés Torrecillas	22,860	98,772
Jaime Félix Caruana Lacorte	25,585	56,972
Raúl Galamba de Oliveira	9,500	9,500
Belén Garijo López	15,722	77,848
Sunir Kumar Kapoor	7,737	30,652
Lourdes Máiz Carro	10,731	55,660
José Maldonado Ramos	15,416	123,984
Ana Peralta Moreno	10,731	26,396
Juan Pi Llorens	23,079	115,896
Ana Revenga Shanklin	7,568	7,568
Susana Rodríguez Vidarte	20,237	161,375
Carlos Salazar Lomelín	5,642	5,642
Jan Verplancke	9,024	21,416
Total	**183,832**	**791,681**

(1)The number of "theoretical shares" allocated to each non-executive director is equal to 20% of the total annual fixed allowance in cash received by each such director in 2020 based on the average closing price of the BBVA share during the 60 trading sessions prior to the General Meeting of 20 April 2021, which was €4.44 per share.

Pension commitments with executive directors and Senior Management

The Bank has not assumed pension commitments with non-executive directors.

With regard to the Chairman, the BBVA Directors' Remuneration Policy establishes a pension framework whereby he is eligible, provided that he does not leave his position as a result of serious dereliction of his duties, to receive a retirement pension, paid in either income or capital, when he reaches the legally established retirement age. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields at that date.

The annual contribution to cover the retirement contingency for the Chairman's defined-contribution system, as established in the BBVA Directors' Remuneration Policy approved by the General Meeting in 2021, amounts to €439 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the agreed annual contribution will be based on variable components and considered “discretionary pension benefits” and will, therefore, be subject to the conditions regarding delivery in shares, withholding and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the BBVA Directors' Remuneration Policy.

In the event that the Chairman's contract is terminated before he reaches retirement age for reasons other than serious dereliction of duties, the retirement pension due to the Chairman upon him reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank, under the terms set out, up to that date, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank from the time of termination.

With respect to the commitments in favour of the Chairman to cover the contingencies of death and disability, the Bank will pay the corresponding annual insurance premiums in order to top up this coverage.

In line with the above, during the 2021 financial year, the following amounts were recorded to meet the pension commitments for the Chairman: an amount of €340 thousand with regard to the retirement contingency, which corresponds to the annual contribution agreed to cover the retirement contingency reduced in an amount of €98 thousand corresponding to the downwards adjustment of the “discretionary pension benefits” of 2020 financial year, which were declared at the close of said financial year and had to be registered in the accumulated fund in 2021. Likewise, an amount of €574 thousand has been recorded for the payment of premiums for the death and disability contingencies.

As at 31 December 2021, the total accumulated amount of the fund to meet the retirement commitments for the e Chairman amounted to €24,546 thousand.

With regard to the agreed annual contribution for the retirement contingency corresponding to the 2021 financial year, 15% (€66 thousand) was recorded 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 Chairman's Annual Variable Remuneration for the 2021 financial year and was determined to amount to €78 thousand, which represents an upwards adjustment of €12 thousand. These “discretionary pension benefits” will be included in the accumulated fund in the 2022 financial year and will be subject to the conditions established for them in the BBVA Directors' Remuneration Policy.

With regard to the Chief Executive Officer, in accordance with the provisions of the BBVA Directors' Remuneration Policy approved by the General Meeting and those of his contract, the Bank is not required to make any contributions to a retirement pension, although he is entitled to an annual cash sum instead of a retirement pension (cash in lieu of pension) equal to 30% of his Annual Fixed Remuneration. However, the Bank does have pension commitments to cover the death and disability contingencies, for which purpose the corresponding annual insurance premiums are paid.

In accordance with the above, in the 2021 financial year, the Bank paid the Chief Executive Officer the fixed-remuneration amount set out for cash in lieu of pension in the "Remuneration received by executive directors in 2021" section of this Note and, likewise, €295 thousand was recorded for the payment of the annual insurance premiums to cover the death and disability contingencies.

Furthermore, in the 2021 financial year, to meet the pension commitments for members of Senior Management (16 members holding that position as at 31 December 2021, excluding executive directors), the following was recorded: an amount of €3,222 thousand for contribution to the retirement contingency and an amount of €1,333 thousand for premiums to cover the death and disability contingencies, as well as a downwards adjustment of €167 thousand for “discretionary pension benefits” corresponding to the 2020 financial year, which were declared at the end of that financial year and had to be registered in the accumulated fund in 2021.

As at 31 December 2021, the total accumulated amount of the fund to meet the retirement commitments for members of Senior Management amounts to €27,472 thousand.

As for the executive directors, 15% of the agreed annual contributions for members of Senior Management to cover the retirement contingency will be based on variable components and considered “discretionary pension benefits”, and are therefore 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 remuneration policy applicable to members of Senior Management.

As such, with regard to the annual contribution for the retirement contingency registered in the 2021 financial year, an amount of €482 thousand was registered in the 2021 financial year as “discretionary pension benefits” and, following the end of the financial year, as in the case of the Chairman, this amount was adjusted by applying the same criteria used to determine the 2021 Annual Variable Remuneration for members of Senior Management. Accordingly, the "discretionary pension benefits" for the financial year, corresponding to all members of Senior Management, were determined to amount to a total of €591 thousand, representing an upwards adjustment of €109 thousand. These “discretionary pension benefits” will be included in the accumulated fund for the 2022 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.

Payments for the termination of the contractual relationship

In accordance with the BBVA Directors' Remuneration Policy, the Bank has no commitments to pay severance indemnity to executive directors.

With regard to Senior Management, excluding executive directors, the Bank did not make any payments arising from the termination of contractual relationships in 2021.

55. Other information

55.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2021, there is no item included that requires disclosure in an environmental information report pursuant to Ministry JUS/794/2021, of July 22, by which the new model for the presentation in the Commercial Register of the consolidated annual accounts of the subjects obliged to its publication is approved.

The attached 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 2021, 2020 and 2019 (cash basis dividend, regardless of the year in which they were accrued). For a complete analysis of all remuneration awarded to the shareholders in 2021, 2020 and 2019 (see Note 4).

Paid Dividends

	2021			2020			2019		
	% 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	16.33 %	0.08	533	32.65 %	0.16	1,067	53.06 %	0.26	1,734
Rest of shares	—	—	—	—	—	—	—	—	—
Total dividends paid in cash	**16.33%**	**0.08**	**533**	**32.65%**	**0.16**	**1,067**	**53.06%**	**0.26**	**1,734**
Dividends with charge to income	16.33 %	0.08	533	32.65 %	0.16	1,067	53.06 %	0.26	1,734
Dividends with charge to reserve or share premium	—	—	—	—	—	—	—	—	—
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, 2021, 2020 and 2019:

Ordinary income and attributable profit by operating segment (Millions of Euros)

	Income from ordinary activities (**)			Profit/ (loss) (***)		
	2021	2020 (*)	2019 (*)	2021	2020 (*)	2019 (*)
Spain	8,266	8,579	9,300	1,581	652	1,436
Mexico	11,685	11,048	13,155	2,568	1,761	2,698
Turkey	7,388	6,594	8,868	740	563	506
South America	5,961	5,621	6,782	491	446	721
Rest of Business	884	1,128	1,134	254	222	184
Subtotal operating segments	**34,184**	**32,970**	**39,238**	**5,633**	**3,644**	**5,544**
Corporate Center	284	(287)	(303)	(980)	(2,339)	(2,032)
Total	**34,468**	**32,683**	**38,935**	**4,653**	**1,305**	**3,512**

(*) The figures corresponding to 2020 and 2019 have been restated.

(**) 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.

(***) See Note 6.

Interest income by geographical area

The breakdown of the balance of "Interest income and similar income" in the accompanying consolidated income statements by geographical area is as follows:

Interest income. Breakdown by geographical area (Millions of Euros)	Notes	2021	2020	2019
Domestic		4,311	4,677	4,884
Foreign		18,704	17,712	22,878
European Union		*315*	*400*	*470*
Eurozone		*204*	*243*	*304*
Not Eurozone		*112*	*157*	*166*
Other countries		*18,388*	*17,312*	*22,408*
Total	**37.1**	**23,015**	**22,389**	**27,762**

Number of employees

The detail of the average number of employees is as follows as of December 31, 2021, 2020 and 2019:

Average number of employees	2021	2020	2019
Men	54,116	57,814	58,365
Women	62,169	67,076	67,778
Total	**116,285**	**124,891**	**126,143**

The breakdown of the average number of employees in the BBVA Group as of December 31, 2021, 2020 and 2019 is as follows:

Average number of employees	2021	2020	2019
Spanish banks			
Management Team	984	1,013	1,049
Other line personnel	19,706	20,955	21,438
Clerical staff	1,862	2,192	2,626
Branches abroad	981	979	1,000
Subtotal	**23,533**	**25,138**	**26,114**
Banks abroad			
Mexico	35,845	33,753	33,377
The United States	4,032	9,758	9,712
Turkey	21,791	21,946	22,026
Venezuela	1,875	2,227	2,806
Argentina	5,773	6,048	6,193
Colombia	5,130	5,326	5,301
Peru	6,077	6,149	5,976
Other	831	1,612	1,605
Subtotal	**81,354**	**86,819**	**86,995**
Pension fund managers	**469**	**435**	**396**
Other non-banking companies	**10,929**	**12,499**	**12,638**
Total	**116,285**	**124,891**	**126,143**

The breakdown of the number of employees in the BBVA Group as of December 31, 2021, 2020 and 2019 by category and gender is as follows:

Number of employees at the year end. Professional category and gender

	2021		2020		2019	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Management team	2,089	1,005	2,195	1,015	2,200	989
Other line personnel	31,875	31,658	34,518	34,240	37,337	39,108
Clerical staff	17,945	25,860	20,268	30,938	19,194	28,145
Total	**51,909**	**58,523**	**56,981**	**66,193**	**58,731**	**68,242**

In 2021, the agreement with the legal representation of the workers on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain is considered in the figures (see Note 24). Employees of companies sold in the USA Sale in 2021 are included in the figures as of December 31, 2020 and 2019 (see Note 3).

55.3 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24, on the regulation of the mortgage market and other mortgage and financial market regulations and Royal Decree 24/2021, dated November 2, on transposition of European Union directives in matters of covered bonds and cross-border distribution of undertakings for collective investment, can be found in Appendix X.

56. Subsequent events

Between January 1 and February 3, 2022, J.P. Morgan AG, as manager of the first tranche, has acquired 65,272,189 BBVA shares as part of its share buyback program (see Note 4).

On February 3, 2022, BBVA announced that its Board of Directors agreed, within the Framework Program, to carry out a second buyback program (the "Second Tranche") aimed at reducing BBVA's share capital, for a maximum amount of €2,000 million 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. The implementation of the Second Tranche, which will also be executed externally through a lead-manager, will begin after the end of the implementation of the First Tranche and shall end no later than October 15, 2022 (see Note 4).

On January 3, 2022, it was announced that a cash distribution in the amount of €0.23 gross per share as shareholder remuneration in relation to the Group's result in the 2021 financial year was expected to be submitted to the relevant governing bodies of BBVA for consideration (see Note 4).

From January 1, 2022 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 accompanying 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, 2021

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.21	Profit (loss) 31.12.21
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.63	49.37	100.00	23	22	2
ADQUIRA MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	4	3	1
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	17	15	1
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	1,456	1,451	(15)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	—	100.00	100.00	18	38	4
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1,321	1,341	(20)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	—	100.00	100.00	22	22	1
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	—	100.00	100.00	25	17	—
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	—	100.00	100.00	9	9	—
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	2	—
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	—	100.00	100.00	1	1	—
APLICA TECNOLOGIA AVANZADA SA DE CV	MEXICO	SERVICES	100.00	—	100.00	203	221	17
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	53	114	—
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	58	64	—
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	64	79	—
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	28	29	25
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	—	99.95	—	1	—
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.59	66.55	157	606	536
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	—	100.00	110	180	20
BANCO INDUSTRIAL DE BILBAO SA	SPAIN	BANKING	—	99.93	99.93	52	47	6
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	—
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	—	100.00	100.00	49	45	4
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	41	127	8
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	99.80	0.20	100.00	79	640	12
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	—	100.00	110	129	6
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	—	100.00	100.00	—	—	—
BBVA AI FACTORY SL	SPAIN	SERVICES	—	100.00	100.00	6	4	—
BBVA ASSET MANAGEMENT ARGENTINA S.A, SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN	ARGENTINA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	14	1	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	30	21	10
BBVA ASSET MANAGEMENT SA SAF	PERU	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	8	5	3
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	INVESTMENT FUND MANAGEMENT	100.00	—	100.00	43	(98)	164
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	24	18	6
BBVA BANCO CONTINENTAL SA (1)	PERU	BANKING	—	46.12	46.12	1,042	1,920	340
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	—	100.00	100.00	4	4	1
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	—	100.00	16	18	—
BBVA BROKER ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	—	99.96	99.96	—	3	6

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2021. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2021.

(**) 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.

(1) Full consolidation method is used according to accounting rules (see Glossary).

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
							Affiliate entity data	
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.21	Profit (loss) 31.12.21
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	—	1	6
BBVA COLOMBIA SA	COLOMBIA	BANKING	77.41	18.06	95.47	348	1,135	202
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	23	18	5
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	5	2	2
BBVA FINANZIA SPA	ITALY	IN LIQUIDATION	100.00	—	100.00	8	8	—
BBVA FUNDOS S.GESTORA FUNDOS PENSOES SA	PORTUGAL	PENSION FUND MANAGEMENT	100.00	—	100.00	8	6	2
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	5	—
BBVA GLOBAL MARKETS BV	NETHERLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	—	—
BBVA GLOBAL SECURITIES, B.V.	NETHERLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	—	—
BBVA HOLDING CHILE SA	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	158	251	55
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SPAIN	SERVICES	76.00	—	76.00	1	3	1
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO SA	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	58	5
BBVA LEASING MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	51	155	26
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	99.99	0.01	100.00	11	(15)	26
BBVA MEXICO SA INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA MEXICO	MEXICO	BANKING	—	100.00	100.00	12,211	9,698	2,512
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	1	—
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	34	26	3
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	3	—
BBVA OP3N S.L.	SPAIN	SERVICES	—	100.00	100.00	—	2	—
BBVA OPERADORA MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	76	98	(21)
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	313	247	66
BBVA PENSIONES SA ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUND MANAGEMENT	100.00	—	100.00	13	16	9
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	—	100.00	110	892	157
BBVA PLANIFICACION PATRIMONIAL SL	SPAIN	IN LIQUIDATION	80.00	20.00	100.00	—	1	—
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUND MANAGEMENT	75.00	5.00	80.00	2	5	10
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	1	1	—
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	—	100.00	100.00	39	51	7
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	233	242	8
BBVA SEGUROS ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	10	23	24
BBVA SEGUROS COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	16	11
BBVA SEGUROS DE VIDA COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	101	11
BBVA SEGUROS MÉXICO SA DE CV GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	559	386	174
BBVA SEGUROS SA DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	—	99.96	713	782	238
BBVA SEGUROS SALUD MEXICO SA DE CV GRUPO FRO. BBVA MEXICO.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	8	9	(1)
BBVA SERVICIOS ADMINISTRATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	47	54	(8)
BBVA SERVICIOS CORPORATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	6	5	—
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	—	100.00	100.00	—	—	—

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2021. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2021.

(**) 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.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.21	Profit (loss) 31.12.21
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	8	13	(3)
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	—	100.00	100.00	9	9	—
BILBAO VIZCAYA HOLDING SAU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	120	97	69
CAIXA MANRESA IMMOBILIARIA ON CASA SL	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
CARTERA E INVERSIONES SA CIA DE	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	92	125	4
CASA DE BOLSA BBVA MEXICO SA DE CV	MEXICO	SECURITIES DEALER	—	100.00	100.00	65	42	24
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
CATALUNYACAIXA IMMOBILIARIA SA	SPAIN	REAL ESTATE	100.00	—	100.00	295	314	(22)
CATALUNYACAIXA SERVEIS SA	SPAIN	SERVICES	100.00	—	100.00	2	2	—
CDD GESTIONI S.R.L.	ITALY	REAL ESTATE	100.00	—	100.00	—	—	—
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	15	15	—
CIERVANA SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	53	51	—
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	—	—	—
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	—	100.00	100.00	6	4	1
COMPAÑIA CHILENA DE INVERSIONES SL	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	259	13
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	4	4	—
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	2	1	—
CORPORACION GENERAL FINANCIERA SA	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	510	855	29
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	1	1	—
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	—	51.00	51.00	—	3	—
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	—	—	—
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	—	75.54	75.54	125	169	(3)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	33	24	9
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	2	2	—
EUROPEA DE TITULIZACION SA SGFT.	SPAIN	FINANCIAL SERVICES	88.24	—	88.24	2	17	3
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION (1)	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	3	2	—
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	43	39	3
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	—

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2021. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2021.

(**) 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.

(1) Full consolidation method is used according to accounting rules (see Glossary).

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.21	Profit (loss) 31.12.21
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	2	2	—
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	IN LIQUIDATION	—	100.00	100.00	5	5	—
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	—	—
FORUM DISTRIBUIDORA DEL PERU SA	PERU	FINANCIAL SERVICES	—	100.00	100.00	6	5	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	41	37	2
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	239	202	53
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	IN LIQUIDATION	—	100.00	100.00	1	1	—
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	393	327	(2)
GARANTI BANK SA	ROMANIA	BANKING	—	100.00	100.00	254	315	29
GARANTI BBVA AS (1)	TURKEY	BANKING	49.85	—	49.85	3,124	4,241	1,091
GARANTI BBVA EMEKLILIK AS	TURKEY	INSURANCES SERVICES	—	84.91	84.91	80	34	58
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	—	81.84	81.84	19	10	13
GARANTI BBVA FILO AS	TURKEY	SERVICES	—	100.00	100.00	1	17	49
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	90	72	18
GARANTI BBVA PORTFOY AS	TURKEY	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	17	11	6
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	87	38	48
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	TURKEY	SERVICES	—	100.00	100.00	1	—	1
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(35)	27
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	526	394	—
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	—	100.00	100.00	—	—	—
GARANTI KULTUR AS	TURKEY	SERVICES	—	100.00	100.00	—	—	—
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	—	1	2
GARANTI YATIRIM ORTAKLIGI AS (1) (2)	TURKEY	INVESTMENT COMPANY	—	3.61	3.61	—	3	—
GARANTIBANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	—	100.00	100.00	675	591	18
GESCAT GESTIO DE SOL SL	SPAIN	REAL ESTATE	100.00	—	100.00	9	11	(2)
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	5	5	—
GESCAT LLOGUERS SL	SPAIN	REAL ESTATE	100.00	—	100.00	3	4	—
GESCAT VIVENDES EN COMERCIALITZACIO SL	SPAIN	REAL ESTATE	100.00	—	100.00	87	89	(2)
GESTION DE PREVISION Y PENSIONES SA	SPAIN	PENSION FUND MANAGEMENT	60.00	—	60.00	9	17	4
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	—	100.00	100.00	1	1	—
GRAN JORGE JUAN SA	SPAIN	REAL ESTATE	100.00	—	100.00	424	437	14
GRUPO FINANCIERO BBVA MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	99.98	—	99.98	7,402	11,040	2,731
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	—	100.00	100.00	19	16	3
INMUEBLES Y RECUPERACIONES CONTINENTAL SA	PERU	REAL ESTATE	—	100.00	100.00	40	38	2

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2021. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2021.

(**) 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.

(1) Full consolidation method is used according to accounting rules (see Glossary).

(2) 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 (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.21	Profit (loss) 31.12.21
INVERAHORRO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	112	115	(3)
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	—	100.00	100.00	—	—	—
INVERSIONES BANPRO INTERNATIONAL INC NV (1)	CURAÇAO	INVESTMENT COMPANY	48.00	—	48.01	16	47	4
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	—	100.00	—	—	—
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	—	60.46	60.46	—	—	—
JALE PROCAM, S.L. (EN LIQUIDACIÓN)	SPAIN	IN LIQUIDATION	—	50.00	50.00	—	(60)	(3)
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	—	100.00	100.00	3	3	—
MISAPRE, S.A. DE C.V.	MEXICO	IN LIQUIDATION	—	100.00	100.00	—	—	—
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	7	8	—
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	35	30	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	—	100.00	100.00	—	2	1
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	COLOMBIA	FINANCIAL SERVICES	—	50.00	50.00	1	4	(2)
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	47	34	13
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	—	100.00	100.00	2	2	—
OPENPAY ARGENTINA SA	ARGENTINA	PAYMENT ENTITIES	—	100.00	100.00	5	10	—
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	—	100.00	100.00	2	1	(1)
OPENPAY PERÚ SA	PERU	PAYMENT ENTITIES	—	100.00	100.00	3	3	(1)
OPENPAY S.A. DE C.V.	MEXICO	PAYMENT ENTITIES	—	100.00	100.00	18	4	1
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	16	6
PECRI INVERSION SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	265	263	2
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	26	26	—
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	51	51	8
PROMOU CT GEBIRA, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	2	2	—
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 SL	SPAIN	INVESTMENT COMPANY	—	99.50	99.50	12	13	(1)
PROPEL VENTURE PARTNERS BRAZIL S.L.	SPAIN	INVESTMENT COMPANY	—	99.80	99.80	11	11	1
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	—	99.50	99.50	63	91	84
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	FINANCIAL SERVICES	99.50	—	99.50	235	175	87
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	—

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2021. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2021.

(**) 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.

(1) Full consolidation method is used according to accounting rules (see Glossary).

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.21**	**Profit (loss) 31.12.21**
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	—	50.00	50.00	10	13	7
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	37	19	1
RPV COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(1)	1
SATICEM GESTIO SL	SPAIN	REAL ESTATE	100.00	—	100.00	4	4	—
SATICEM HOLDING SL	SPAIN	REAL ESTATE	100.00	—	100.00	5	5	—
SATICEM IMMOBILIARIA SL	SPAIN	REAL ESTATE	100.00	—	100.00	19	15	3
SATICEM IMMOBLES EN ARRENDAMENT SL	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	—	100.00	100.00	10	5	5
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	2	4	(2)
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	—	100.00	100.00	7	7	(1)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO SA	SPAIN	SERVICES	100.00	—	100.00	65	63	2
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO SA	SPAIN	INACTIVE	77.20	—	77.20	—	—	—
SPORT CLUB 18 SA	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	11	10	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	—	100.00	100.00	1	1	—
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	—	100.00	100.00	—	25	—
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS SA	SPAIN	REAL ESTATE	100.00	—	100.00	619	508	(4)
URBANIZADORA SANT LLORENC SA	SPAIN	INACTIVE	60.60	—	60.60	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	—	51.00	51.00	1	4	—
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	—	51.00	51.00	18	23	12

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2021. In the carrying amount (net of provision and hedge in foreign operations), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2021.

(**) 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. .

This Appendix is an integral part of Note 3 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX II. Additional information on investments joint ventures and associates in the BBVA Group as of December 31, 2021

Most significant companies are included, which together represent 99.9% of the total investment in this group.

			% Legal share of participation			Millions of Euros (*)				
							Affiliate entity data			
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets 31.12.21	Liabilities 31.12.21	Equity excluding profit (loss) 31.12.21	Profit (loss) 31.12.21
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	—	44.44	44.44	4	19	11	8	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	38.97	—	38.97	77	4,765	4,568	226	(29)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	—	49.00	49.00	4	10	1	9	—
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	—	50.00	50.00	254	805	253	547	5
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO SA	SPAIN	PUBLIC COMPANIES AND INSTITUTIONS	16.67	—	16.67	28	174	7	149	18
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	—	21.15	21.15	2	184	176	2	5
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	MEXICO	FINANCIAL SERVICES	—	28.50	28.50	1	3	—	4	(1)
METROVACESA SA	SPAIN	REAL ESTATE	9.44	11.41	20.85	259	2,790	720	2,060	10
PLAY DIGITAL SA	ARGENTINA	PAYMENT ENTITIES	—	10.83	10.83	1	11	2	18	(8)
REDSYS SERVICIOS DE PROCESAMIENTO SL	SPAIN	FINANCIAL SERVICES	24.90	—	24.90	19	108	33	71	4
ROMBO COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	—	40.00	40.00	7	121	104	16	1
SBD CREIXENT, S.A.	SPAIN	REAL ESTATE	—	23.05	23.05	1	4	1	4	—
SEGURIDAD Y PROTECCION BANCARIAS SA DE CV	MEXICO	SERVICES	—	26.14	26.14	1	3	—	3	—
SERVICIOS ELECTRONICOS GLOBALES SA DE CV	MEXICO	SERVICES	—	46.14	46.14	15	33	—	25	7
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO SA	SPAIN	FINANCIAL SERVICES	28.72	—	28.72	7	110	84	27	(1)
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO SA	SPAIN	PAYMENT ENTITIES	20.61	—	20.61	1	1,925	1,920	5	—
SOLARISBANK AG (1)	GERMANY	BANKING	—	15.40	15.40	61	3,450	3,218	259	(27)
TELEFONICA FACTORING COLOMBIA, S.A.	COLOMBIA	FINANCIAL SERVICES	—	24.30	24.30	1	68	64	1	2
TELEFONICA FACTORING ESPAÑA SA (2)	SPAIN	FINANCIAL SERVICES	30.00	—	30.00	4	84	70	7	7
TELEFONICA FACTORING MEXICO SA DE CV	MEXICO	IN LIQUIDATION	24.30	—	24.30	1	3	—	2	—
TF PERU SAC	PERU	FINANCIAL SERVICES	—	24.30	24.30	1	7	1	3	2
JOINT VENTURES										
ALTURA MARKETS SOCIEDAD DE VALORES SA	SPAIN	SECURITIES DEALER	50.00	—	50.00	76	3,317	3,165	144	8
COMPAÑIA MEXICANA DE PROCESAMIENTO SA DE CV	MEXICO	SERVICES	—	50.00	50.00	8	17	—	17	—
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. (3)	SPAIN	INVESTMENT COMPANY	—	50.00	50.00	29	63	5	58	—
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	SPAIN	REAL ESTATE	—	50.00	50.00	18	93	58	32	3
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (3)	MEXICO	REAL ESTATE	—	44.09	44.09	10	167	—	167	—
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	—	42.40	42.40	7	17	—	17	—
INVERSIONES PLATCO CA	VENEZUELA	FINANCIAL SERVICES	—	50.00	50.00	1	4	2	3	—
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	—	39.11	39.11	1	3	—	15	(12)
RCI COLOMBIA SA COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	—	49.00	49.00	40	630	549	66	15

(*) In foreign companies the exchange rate of December 31, 2021 is applied.

(1) The percentage of voting rights owned by the Group entities in this company is 22.22%.

(2) Financial Statements as of December 31, 2020.

(3) Classified as Non-current asset in sell.

This Appendix is an integral part of Notes 3 and 16.1 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX III. Changes and notifications of participations in the BBVA Group in 2021

Acquisitions or increases of interest ownership in consolidated subsidiaries

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective Date for the Transaction (or Notification Date)
OPENPAY PERÚ SA	FOUNDING	100.00	08-Mar-21
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	FOUNDING	50.00	31-Mar-21
PROPEL EXPLORER FUND I SL	FOUNDING	99.50	01-Jun-21
OPENPAY ARGENTINA SA	FOUNDING	100.00	01-Jul-21

(*) Variations of less than 0.1% have not been considered due to immateriality.

Changes and notifications of participations in the BBVA Group in 2021 (continued)

Disposals or reduction of interest ownership in consolidated subsidiaries

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
BBVA AUTOMERCANTIL COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS LDA.	LIQUIDATION	—	21-Jan-21
BBVA PARAGUAY SA	DISPOSAL	—	22-Jan-21
HOLVI PAYMENT SERVICE OY	DISPOSAL	—	01-Feb-21
CAIXASABADELL PREFERENTS SA	LIQUIDATION	—	04-Mar-21
BBVA INTERNATIONAL PREFERRED SOCIEDAD ANONIMA	LIQUIDATION	—	12-Mar-21
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU	LIQUIDATION	—	25-Mar-21
DENIZEN FINANCIAL, INC	MERGER	—	27-Apr-21
COVAULT, INC	MERGER	—	11-May-21
ENTRE2 SERVICIOS FINANCIEROS E.F.C SA	LIQUIDATION	—	21-May-21
BBVA TRANSFER SERVICES INC	DISPOSAL	—	01-Jun-21
BBVA FOREIGN EXCHANGE INC.	DISPOSAL	—	01-Jun-21
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	LIQUIDATION	—	01-Jun-21
BBVA USA BANCSHARES, INC.	DISPOSAL	—	01-Jun-21
BBVA USA	DISPOSAL	—	01-Jun-21
SIMPLE FINANCE TECHNOLOGY CORP.	DISPOSAL	—	01-Jun-21
BBVA INSURANCE AGENCY, INC.	DISPOSAL	—	01-Jun-21
BBVA FINANCIAL CORPORATION	DISPOSAL	—	01-Jun-21
BBVA WEALTH SOLUTIONS, INC.	DISPOSAL	—	01-Jun-21
BBVA MORTGAGE CORPORATION	DISPOSAL	—	01-Jun-21
HUMAN RESOURCES PROVIDER, INC	DISPOSAL	—	01-Jun-21
HUMAN RESOURCES SUPPORT, INC	DISPOSAL	—	01-Jun-21
TUCSON LOAN HOLDINGS, INC.	DISPOSAL	—	01-Jun-21
COMPASS TEXAS MORTGAGE FINANCING, INC	DISPOSAL	—	01-Jun-21
PHOENIX LOAN HOLDINGS, INC.	DISPOSAL	—	01-Jun-21
COMPASS MORTGAGE FINANCING, INC.	DISPOSAL	—	01-Jun-21
COMPASS LOAN HOLDINGS TRS, INC.	DISPOSAL	—	01-Jun-21
PI HOLDINGS NO. 1, INC.	DISPOSAL	—	01-Jun-21
P.I. HOLDINGS NO. 3, INC.	DISPOSAL	—	01-Jun-21
COMPASS CAPITAL MARKETS, INC.	DISPOSAL	—	01-Jun-21
ARIZONA FINANCIAL PRODUCTS, INC	DISPOSAL	—	01-Jun-21
COMPASS LIMITED PARTNER, INC.	DISPOSAL	—	01-Jun-21
COMPASS GP, INC.	DISPOSAL	—	01-Jun-21
COMPASS SOUTHWEST, LP	DISPOSAL	—	01-Jun-21
TEXAS LOAN SERVICES LP	DISPOSAL	—	01-Jun-21
LIQUIDITY ADVISORS LP	DISPOSAL	—	01-Jun-21
COMPASS INSURANCE TRUST	DISPOSAL	—	01-Jun-21
GUARANTY BUSINESS CREDIT CORPORATION	DISPOSAL	—	01-Jun-21
TMF HOLDING INC.	DISPOSAL	—	01-Jun-21

(*) Variations of less than 0.1% have not been considered due to immateriality.

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
GUARANTY PLUS HOLDING COMPANY	DISPOSAL	—	01-Jun-21
RWHC, INC	DISPOSAL	—	01-Jun-21
SAGE OG I, INC	DISPOSAL	—	01-Jun-21
SAGE OG2, LLC	DISPOSAL	—	01-Jun-21
BBVA TRANSFER HOLDING INC	DISPOSAL	—	01-Jun-21
BBVA OPEN PLATFORM INC	DISPOSAL	—	01-Jun-21
DALLAS CREATION CENTER, INC	DISPOSAL	—	01-Jun-21
AZLO BUSINESS, INC	DISPOSAL	—	01-Jun-21
UPTURN FINANCIAL INC	DISPOSAL	—	01-Jun-21
ARRAHONA AMBIT, S.L.	LIQUIDATION	—	01-Jun-21
ARRELS CT LLOGUER, S.A.	LIQUIDATION	—	01-Jun-21
GARRAF MEDITERRANIA, S.A.	LIQUIDATION	—	01-Jun-21
PROMOU CT 3AG DELTA, S.L.	LIQUIDATION	—	01-Jun-21
PROMOU CT EIX MACIA, S.L.	LIQUIDATION	—	01-Jun-21
PROMOU CT VALLES, S.L.	LIQUIDATION	—	01-Jun-21
PROMOCIONES Y CONSTRUCCIONES CERBAT, S.L.U.	LIQUIDATION	—	01-Jun-21
CETACTIUS SL	LIQUIDATION	—	01-Jun-21
PROV-INFI-ARRAHONA, S.L.	LIQUIDATION	—	03-Jun-21
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SPA, EN LIQUIDACION	LIQUIDATION	—	01-Sep-21
BBVA IRELAND PLC (En liquidación)	LIQUIDATION	—	28-Oct-21
PUERTO CIUDAD LAS PALMAS, S.A.	LIQUIDATION	—	17-Nov-21
PARCSUD PLANNER, S.L.	LIQUIDATION	—	14-Dec-21
PROMOU GLOBAL, S.L.	LIQUIDATION	—	14-Dec-21
NOVA TERRASSA 3, S.L.	LIQUIDATION	—	14-Dec-21
OPPLUS SAC (En liquidación)	LIQUIDATION	—	15-Dec-21
IRIDION SOLUCIONS IMMOBILIARIES SL	LIQUIDATION	—	16-Dec-21
QIPRO SOLUCIONES S.L.	DISPOSAL	—	22-Dec-21
CATALONIA GEBIRA, S.L. (EN LIQUIDACION)	LIQUIDATION	—	22-Dec-21
INVERPRO DESENVOLUPAMENT, S.L.	LIQUIDATION	—	22-Dec-21
INPAU, S.A.	LIQUIDATION	—	31-Dec-21

(*) Variations of less than 0.1% have not been considered due to immateriality.

Changes and notifications of participations in the BBVA Group in 2021 (continued)

Business combinations and other acquisitions or increases of interest ownership in associates and joint-ventures accounted for under the equity method

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
PLAY DIGITAL SA	SHAREHOLDERS AGREEMENT	10.83	01-Mar-21
REDSYS SERVICIOS DE PROCESAMIENTO SL	DISPOSAL	24.90	02-Sep-21
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	DISPOSAL	21.15	01-Oct-21
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO SA	DISPOSAL	20.61	14-Oct-21

(*) Variations of less than 0.1% have not been considered due to immateriality.

Changes and notifications of participations in the BBVA Group in 2021 (continued)

Disposal or reduction of interest ownership in associates and joint-ventures companies accounted for under the equity method

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
DIVARIAN PROPIEDAD, S.A.U.	DISPOSAL	—	15-Oct-21
SOLARISBANK AG (1)	CAPITAL INCREASE DILUTION	15.40	16-Dec-21
CORPORATIVO VITAMEDICA, S.A. DE C.V.	DISPOSAL	—	22-Jan-21
SERVICIOS VITAMEDICA, S.A. DE C.V.	DISPOSAL	—	22-Jan-21
VITAMEDICA ADMINISTRADORA, S.A. DE C.V	DISPOSAL	—	22-Jan-21

(*) Variations of less than 0.1% have not been considered due to immateriality.

(1) The percentage of voting rights owned by the Group entities in this company is 22.22%.

This Appendix is an integral part of Notes 3 and 16.1 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX IV. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2021

		% of voting rights controlled by the Bank		
Company	**Activity**	**Direct**	**Indirect**	**Total**
BBVA BANCO CONTINENTAL SA	BANKING	—	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	—	48.01
PRO-SALUD, C.A.	INACTIVE	—	58.86	58.86
INVERSIONES P.H.R.4, C.A.	INACTIVE	—	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
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	—	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	—	60.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	—	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	—	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	BANKING	—	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	—	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	—	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	—	51.00	51.00
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	FINANCIAL SERVICES	—	50.00	50.00
GARANTI BBVA EMEKLILIK AS	INSURANCES SERVICES	—	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. EN LIQUIDACION	IN LIQUIDATION	—	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	—	76.00
JALE PROCAM, S.L. (EN LIQUIDACIÓN)	IN LIQUIDATION	—	50.00	50.00
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, 2021.

APPENDIX V. BBVA Group's structured entities as of December 31, 2021. Securitization funds

			Millions of Euros	
Securitization fund (consolidated)	**Company**	**Origination date**	**Total securitized exposures at the origination date**	**Total securitized exposures as of December 31, 2021**
TDA 18 MIXTO, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	20-Nov-03	91	9
TDA 22 Mixto, FTA (Unnim)	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Dec-04	592	17
AYT Hipotecario Mixto IV, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Jun-05	100	10
AYT HIP MIXTO V	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Jul-06	120	22
TDA 27 Mixto, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Dec-06	275	69
TDA 28 Mixto, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	23-Jul-07	250	70
HIPOCAT 6 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	17-Sep-03	850	68
HIPOCAT 7 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	08-Jun-04	1,400	166
HIPOCAT 8 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	06-May-05	1,500	179
HIPOCAT 9 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-05	1,016	149
HIPOCAT 10 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	05-Jul-06	1,526	236
HIPOCAT 11 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Mar-07	1,628	307
TDA 19 MIXTO, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Feb-04	600	20
TDA 23 MIXTO, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Mar-05	860	25
TDA TARRAGONA 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	30-Nov-07	397	81
GAT VPO (UNNIM)	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Jun-09	780	45
BBVA CONSUMO 10 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	08-Jul-19	2,000	1,364
BBVA CONSUMO 11 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	12-Mar-21	2,500	2,053
BBVA CONSUMO 9 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Mar-17	1,375	405
BBVA CONSUMER AUTO 2018-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Jun-18	800	379
BBVA CONSUMER AUTO 2020-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	15-Jun-20	1,100	1,100
BBVA RMBS 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	19-Feb-07	2,500	743
BBVA RMBS 2 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	26-Mar-07	5,000	1,355
BBVA RMBS 3 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Jul-07	3,000	1,300
BBVA RMBS 5 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-May-08	5,000	2,312
BBVA RMBS 9 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Apr-10	1,295	734
BBVA RMBS 10 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	19-Jun-11	1,600	1,011
BBVA RMBS 11 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Jun-12	1,400	892
BBVA RMBS 12 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Dec-13	4,350	2,763
BBVA RMBS 13 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	14-Jul-14	4,100	2,730
BBVA RMBS 14 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Nov-14	700	397
BBVA RMBS15 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	11-May-15	4,000	2,681
BBVA RMBS 16 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-May-16	1,600	1,129
BBVA RMBS 17 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Nov-16	1,800	1,309
BBVA RMBS 18 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	20-Nov-17	1,800	1,484
BBVA RMBS 19 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-19	2,000	1,807
BBVA RMBS 20 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	14-Jun-21	2,500	2,500
BBVA LEASING 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Jun-07	2,500	81
BBVA LEASING 2 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Jul-20	2,100	1,353
BBVA-6 FTPYME FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	10-Jun-07	1,500	37

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, 2021, 2020 and 2019

Outstanding as of December 31, 2021, 2020 and 2019 of subordinated issues

Issuer entity and issued date	Currency	Millions of Euros December 2021	Millions of Euros December 2020	Millions of Euros December 2019	Prevailing Interest Rate as of December 31, 2021	Maturity Date
Issues in Euros						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
March-08	EUR	125	125	125	6.03%	3-Mar-33
July-08	EUR	100	100	100	6.20%	4-Jul-23
February-15	EUR	—	—	1,500	6.75%	Perpetual
April-16	EUR	—	1,000	1,000	8.88%	Perpetual
February-17	EUR	1,000	1,000	1,000	3.50%	10-Feb-27
February-17	EUR	99	99	99	4.00%	24-Feb-32
March-17	EUR	65	65	65	4.00%	24-Feb-32
May-17	EUR	150	150	150	2.54%	24-May-27
May-17	EUR	500	500	500	5.88%	Perpetual
September-18	EUR	1,000	1,000	1,000	5.88%	Perpetual
February-19	EUR	750	750	750	2.58%	22-Feb-29
March-19	EUR	1,000	1,000	1,000	6.00%	Perpetual
January-20	EUR	994	994	—	1.00%	16-Jan-30
July-20	EUR	1,000	1,000	—	6.00%	Perpetual
Different issues	EUR	245	330	379		
Total issued in Euros	**EUR**	**7,028**	**8,113**	**7,668**		

Outstanding as of December 31, 2021, 2020 and 2019 of subordinated issues (continued)

		Millions of Euros				
Issuer entity and issued date	**Currency**	**December 2021**	**December 2020**	**December 2019**	**Prevailing Interest Rate as of December 31, 2021**	**Maturity Date**
Issues in foreign currency						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
March-17	USD	106	98	107	5.70%	31-Mar-32
November-17	USD	883	815	890	6.13%	Perpetual
May-18	USD	263	243	265	5.25%	29-May-33
September-19	USD	883	815	890	6.50%	Perpetual
Subtotal	**USD**	**2,135**	**1,970**	**2,152**		
May-17	CHF	19	19	18	1.60%	24-May-27
Subtotal	**CHF**	**19**	**19**	**18**		
July-20	GBP	357	334	—	3.10%	15-Jul-31
Subtotal	**GBP**	**357**	**334**	**—**		
BBVA GLOBAL FINANCE LTD (*)						
December-95	USD	176	162	177	7.00%	1-Dec-25
Subtotal	**USD**	**176**	**162**	**177**		
BBVA BANCOMER S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER						
April-10	USD	—	—	667	7.25%	22-Apr-20
March-11	USD	—	612	667	6.50%	10-Mar-21
July-12	USD	1,329	1,223	1,333	6.75%	30-Sep-22
November-14	USD	177	163	178	5.35%	12-Nov-29
January-18	USD	886	815	889	5.13%	18-Jan-33
September-19	USD	665	612	667	5.88%	13-Sep-34
Subtotal	**USD**	**3,057**	**3,425**	**4,401**		
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.						
Different issues	USD	—	—	2		
Subtotal	**USD**	**—**	**—**	**2**		
BBVA PARAGUAY S.A. (**)						
November-14	USD	—	16	18	6.75%	5-Nov-21
November-15	USD	—	20	22	6.70%	18-Nov-22
Subtotal	**USD**	**—**	**37**	**40**		
BBVA USA (**)						
March-05	USD	—	—	203	5.50%	1-Apr-20
March-06	USD	—	58	63	5.90%	1-Apr-26
April-15	USD	—	570	623	3.88%	10-Apr-25
Subtotal	**USD**	**—**	**628**	**889**		

(*) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank.

(**) Companies sold in 2021 (see Note 3).

Outstanding as of December 31, 2021, 2020 and 2019 of subordinated issues

Issuer entity and issued date (continued)	Currency	Millions of Euros December 2021	December 2020	December 2019	Prevailing Interest Rate as of December 31, 2021	Maturity Date
BBVA COLOMBIA S.A.						
September-11	COP	—	25	29	4.45%	19-Sep-21
September-11	COP	35	37	42	4.70%	19-Sep-26
February-13	COP	44	47	54	3.60%	19-Feb-23
February-13	COP	37	39	45	3.89%	19-Feb-28
November-14	COP	20	21	24	4.38%	26-Nov-29
November-14	COP	32	30	34	4.50%	26-Nov-34
Subtotal	**COP**	**168**	**200**	**229**		
April-15	USD	349	324	333	4.88%	21-Apr-25
Subtotal	**USD**	**349**	**324**	**333**		
BBVA BANCO CONTINENTAL S.A.						
June-07	PEN	19	18	22	3.47%	18-Jun-32
November-07	PEN	17	16	19	3.56%	19-Nov-32
July-08	PEN	15	15	17	3.06%	8-Jul-23
September-08	PEN	16	16	18	3.09%	9-Sep-23
December-08	PEN	10	9	11	4.19%	15-Dec-33
Subtotal	**PEN**	**77**	**74**	**87**		
May-07	USD	18	16	18	6.00%	14-May-27
February-08	USD	18	17	18	6.47%	28-Feb-28
October-13	USD	40	37	41	6.53%	2-Oct-28
September-14	USD	272	257	269	5.25%	22-Sep-29
Subtotal	**USD**	**349**	**327**	**346**		
GARANTI BBVA AS						
May-17	USD	645	607	664	6.13%	24-May-27
Subtotal	**USD**	**645**	**607**	**664**		
October-19	TRY	17	28	38	16.00%	7-Oct-29
February-20	TRY	49	82	—	17.95%	14-Feb-30
Subtotal	**TRY**	**66**	**110**	**38**		
Total issues in other currencies		**7,398**	**8,217**	**9,376**		

Outstanding as of December 31, 2021, 2020 and 2019 of subordinated issues (Millions of euros)

Issuer entity and issued date	December 2021 Currency	Amount Issued	December 2020 Currency	Amount Issued	December 2019 Currency	Amount Issued
BBVA COLOMBIA S.A.						
December-93	COP	—	COP	—	COP	20
BBVA International Preferred, S.A.U.						
July-07	GBP	—	GBP	35	GBP	37
PHOENIX LOAN HOLDINGS INC.						
November-00	USD	—	USD	17	USD	19
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU						
August-05	EUR	—	EUR	74	EUR	28
CAIXASABADELL PREFERENTS S.A.						
July-06	EUR	—	EUR	85	EUR	56

APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2021, 2020 and 2019

	U.S. Dollar	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
December 2021					
Assets					
Cash, cash balances at central banks and other demand deposits	19,164	5,816	893	4,245	30,118
Financial assets held for trading	10,699	18,973	1,104	8,840	39,615
Non- trading financial assets mandatorily at fair value through profit or loss	1,039	4,114	2	83	5,239
Financial assets at fair value through comprehensive income	6,455	9,323	2,325	8,697	26,800
Financial assets at amortized cost	46,223	57,580	21,655	38,657	164,115
Joint-ventures and associates	5	15	—	263	283
Tangible assets	12	1,902	558	935	3,408
Other assets	(204)	3,607	1,046	1,248	5,697
Total	**83,393**	**101,331**	**27,583**	**62,969**	**275,276**
Liabilities					
Financial liabilities held for trading	10,448	13,784	450	1,312	25,994
Financial liabilities at amortized cost	67,306	60,570	14,946	43,859	186,681
Other liabilities	3,261	13,234	779	2,029	19,302
Total	**81,015**	**87,588**	**16,175**	**47,200**	**231,977**
December 2020					
Assets					
Cash, cash balances at central banks and other demand deposits	16,615	4,847	772	4,130	26,365
Financial assets held for trading	5,114	22,154	359	6,112	33,740
Non- trading financial assets mandatorily at fair value through profit or loss	883	3,369	7	291	4,549
Financial assets at fair value through comprehensive income	7,073	7,723	2,489	8,087	25,373
Financial assets at amortized cost	39,841	53,184	26,810	38,036	157,871
Joint-ventures and associates	5	14	—	246	265
Tangible assets	15	1,819	858	852	3,544
Other assets	83,406	2,053	1,191	2,009	88,658
Total	**152,953**	**95,163**	**32,486**	**59,764**	**340,366**
Liabilities					
Financial liabilities held for trading	4,562	18,489	471	772	24,295
Financial liabilities at amortized cost	67,165	54,429	18,930	43,468	183,993
Other liabilities	78,724	6,662	687	7,393	93,466
Total	**150,452**	**79,580**	**20,088**	**51,633**	**301,753**
December 2019					
Assets					
Cash, cash balances at central banks and other demand deposits	16,930	4,414	499	5,330	27,173
Financial assets held for trading	5,549	18,543	242	5,257	29,591
Non- trading financial assets mandatorily at fair value through profit or loss	900	3,509	4	116	4,529
Financial assets at fair value through comprehensive income	14,269	6,178	2,748	5,541	28,735
Financial assets at amortized cost	107,865	56,963	29,125	35,906	229,859
Joint-ventures and associates	5	20	—	252	277
Tangible assets	921	2,214	1,050	1,026	5,211
Other assets	1,946	2,147	1,174	5,508	10,775
Total	**148,384**	**93,989**	**34,842**	**58,934**	**336,149**
Liabilities					
Financial liabilities held for trading	4,063	16,064	170	2,465	22,762
Financial liabilities at amortized cost	136,661	54,733	20,681	36,758	248,834
Other liabilities	5,555	6,757	881	8,172	21,365
Total	**146,280**	**77,555**	**21,732**	**47,394**	**292,961**

This Appendix is an integral part of Notes 2.2.15 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX VIII. Consolidated income statements for the first and second half of 2021 and 2020

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Six months ended June 30, 2021	Six months ended December 31, 2021	Six months ended June 30, 2020	Six months ended December 31, 2020
Interest and other income	10,962	12,053	11,828	10,561
Interest expense	(4,007)	(4,322)	(4,267)	(3,530)
NET INTEREST INCOME	**6,955**	**7,731**	**7,561**	**7,031**
Dividend income	125	50	74	63
Share of profit or loss of entities accounted for using the equity method	(5)	6	(17)	(22)
Fee and commission income	3,311	3,686	2,987	2,992
Fee and commission expense	(996)	(1,235)	(929)	(928)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	121	13	202	(63)
Gains (losses) on financial assets and liabilities held for trading, net	463	(122)	270	507
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	280	152	129	80
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	96	239	203	(146)
Gains (losses) from hedge accounting, net	(81)	(133)	35	(28)
Exchange differences, net	206	677	176	183
Other operating income	340	321	221	271
Other operating expense	(997)	(1,044)	(814)	(848)
Income from insurance and reinsurance contracts	1,350	1,243	1,307	1,190
Expense from insurance and reinsurance contracts	(909)	(776)	(765)	(755)
GROSS INCOME	**10,259**	**10,807**	**10,639**	**9,527**
Administration costs	(3,983)	(4,313)	(3,999)	(3,801)
Personnel expense	(2,371)	(2,675)	(2,385)	(2,310)
Other administrative expense	(1,612)	(1,638)	(1,614)	(1,491)
Depreciation and amortization	(615)	(619)	(661)	(627)
Provisions or reversal of provisions	(928)	(90)	(518)	(228)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,580)	(1,454)	(3,572)	(1,607)
Financial assets measured at amortized cost	(1,587)	(1,430)	(3,502)	(1,658)
Financial assets at fair value through other comprehensive income	8	(25)	(70)	52
NET OPERATING INCOME	**3,153**	**4,331**	**1,889**	**3,264**
Impairment or reversal of impairment of investments in joint ventures and associates	—	—	(60)	(130)
Impairment or reversal of impairment on non-financial assets	(196)	(26)	(65)	(88)
Tangible assets	(158)	(3)	(62)	(63)
Intangible assets	(5)	(14)	(3)	(16)
Other assets	(33)	(8)	—	(9)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	5	19	3	(10)
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	(73)	33	(10)	454
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,889**	**4,358**	**1,757**	**3,490**
Tax expense or income related to profit or loss from continuing operations	(782)	(1,127)	(477)	(982)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**2,107**	**3,231**	**1,281**	**2,508**
Profit (loss) after tax from discontinued operations	280	—	(2,104)	375
PROFIT (LOSS)	**2,387**	**3,231**	**(823)**	**2,883**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**476**	**489**	**333**	**423**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,911**	**2,742**	**(1,157)**	**2,462**

	Six months ended June 30, 2021	Six months ended December 31, 2021	Six months ended June 30, 2020	Six months ended December 31, 2020
EARNINGS (LOSSES) PER SHARE (Euros)	**0.26**	**0.41**	**(0.20)**	**0.34**
Basic earnings (losses) per share from continuing operations	0.21	0.41	0.11	0.29
Diluted earnings (losses) per share from continuing operations	0.21	0.41	0.11	0.29
Basic earnings (losses) per share from discontinued operations	0.04	—	(0.32)	0.06
Diluted earnings (losses) per share from discontinued operations	0.04	—	(0.32)	0.06

APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)	2021	2020 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**38,821**	**44,107**
FINANCIAL ASSETS HELD FOR TRADING	**105,391**	**85,298**
Derivatives	28,389	36,545
Equity instruments	15,146	10,682
Debt securities	11,546	9,983
Loans and advances to central banks	3,467	53
Loans and advances to credit institutions	31,300	17,291
Loans and advances to customers	15,543	10,743
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**437**	**409**
Equity instruments	172	183
Debt securities	125	142
Loans and advances to central banks	—	—
Loans and advances to credit institutions	—	—
Loans and advances to customers	140	84
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**—**	**—**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**28,205**	**37,528**
Equity instruments	1,103	881
Debt securities	27,102	36,648
FINANCIAL ASSETS AT AMORTIZED COST	**231,276**	**225,914**
Debt securities	22,312	23,241
Loans and advances to central banks	254	7
Loans and advances to credit institutions	8,371	8,762
Loans and advances to customers	200,339	193,903
DERIVATIVES - HEDGE ACCOUNTING	**841**	**1,011**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**5**	**51**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**17,504**	**18,380**
Subsidiaries	17,226	17,547
Joint ventures	54	54
Associates	225	780
TANGIBLE ASSETS	**3,482**	**3,915**
Properties, plant and equipment	3,396	3,836
For own use	*3,396*	*3,836*
Other assets leased out under an operating lease	—	—
Investment properties	87	80
INTANGIBLE ASSETS	**841**	**840**
Goodwill	—	—
Other intangible assets	841	840
TAX ASSETS	**12,294**	**12,764**
Current tax assets	546	633
Deferred tax assets	11,748	12,131
OTHER ASSETS	**2,296**	**2,837**
Insurance contracts linked to pensions	1,882	2,074
Inventories	—	—
Other	414	763
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**885**	**9,978**
TOTAL ASSETS	**442,279**	**443,032**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Millions of Euros)		
	2021	2020 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**77,859**	**67,135**
Derivatives	27,054	35,396
Short positions	13,148	9,625
Deposits from central banks	8,946	1,256
Deposits from credit institutions	14,821	13,901
Customer deposits	13,890	6,957
Debt certificates	—	—
Other financial liabilities	—	—
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,238**	**3,267**
Deposits from central banks	—	—
Deposits from credit institutions	—	—
Customer deposits	2,238	3,267
Debt certificates	—	—
Other financial liabilities	—	—
Memorandum item: Subordinated liabilities	*—*	*—*
FINANCIAL LIABILITIES AT AMORTIZED COST	**321,848**	**331,189**
Deposits from central banks	40,839	37,903
Deposits from credit institutions	14,936	22,106
Customer deposits	216,452	217,360
Debt certificates	37,866	43,692
Other financial liabilities	11,756	10,127
Memorandum item: Subordinated liabilities	*9,912*	*11,096*
DERIVATIVES - HEDGE ACCOUNTING	**2,126**	**1,510**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**—**	**—**
PROVISIONS	**4,488**	**4,449**
Pensions and other post-employment defined benefit obligations	3,027	3,544
Other long term employee benefits	600	18
Provisions for taxes and other legal contingencies	401	439
Commitments and guarantees given	310	270
Other provisions	150	177
TAX LIABILITIES	**999**	**1,071**
Current tax liabilities	187	173
Deferred tax liabilities	812	898
OTHER LIABILITIES	**1,885**	**1,543**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**—**	**—**
TOTAL LIABILITIES	**411,443**	**410,164**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	2021	2020 (*)
STOCKHOLDERS' FUNDS	**32,296**	**33,992**
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	—	—
Share premium	**23,599**	**23,992**
Equity instruments issued other than capital	**—**	**—**
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	**49**	**34**
Retained earnings	**6,436**	**8,859**
Revaluation reserves	**—**	**—**
Other reserves	**(1,026)**	**31**
Less: treasury shares	**(574)**	**(9)**
Profit or loss attributable to owners of the parent	**1,080**	**(2,182)**
Less: interim dividends	**(533)**	**—**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(1,461)**	**(1,124)**
Items that will not be reclassified to profit or loss	**(1,177)**	**(1,376)**
Actuarial gains (losses) on defined benefit pension plans	(52)	(61)
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	(1,127)	(1,294)
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	2	(21)
Items that may be reclassified to profit or loss	**(284)**	**252**
Hedge of net investments in foreign operations (effective portion)	—	—
Foreign currency translation	—	—
Hedging derivatives. Cash flow hedges (effective portion)	(626)	(100)
Fair value changes of debt instruments measured at fair value through other comprehensive income	342	352
Hedging instruments (non-designated items)	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	**30,836**	**32,867**
TOTAL EQUITY AND TOTAL LIABILITIES	**442,279**	**443,032**

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)

	2021	2020 (*)
Loan commitments given	89,353	80,959
Financial guarantees given	11,662	8,745
Other commitments given	24,181	25,711

(*) Presented for comparison purposes only.

INCOME STATEMENTS (Millions of Euros)	2021	2020 (*)
Interest income	4,289	4,629
Financial assets at fair value through other comprehensive income	235	253
Financial assets at amortized cost	3,426	3,839
Other interest income	628	536
Interest expense	(861)	(1,115)
NET INTEREST INCOME	**3,428**	**3,514**
Dividend income	1,808	1,360
Fee and commission income	2,515	2,125
Fee and commission expense	(463)	(358)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	84	87
Financial assets at amortized cost	23	100
Other financial assets and liabilities	61	(13)
Gains or (losses) on financial assets and liabilities held for trading, net	295	353
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other profit or loss	295	353
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	114	28
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other profit or loss	114	28
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	45	(69)
Gains (losses) from hedge accounting, net	(36)	13
Exchange differences, net	56	(29)
Other operating income	170	142
Other operating expense	(546)	(529)
GROSS INCOME	**7,470**	**6,637**
Administrative expense	(3,693)	(3,553)
Personnel expense	(2,237)	(2,144)
Other administrative expense	(1,456)	(1,409)
Depreciation and amortization	(639)	(663)
Provisions or reversal of provisions	(950)	(475)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(475)	(1,232)
Financial assets measured at amortized cost	(482)	(1,228)
Financial assets at fair value through other comprehensive income	7	(4)
NET OPERATING INCOME	**1,714**	**715**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(911)	(319)
Impairment or reversal of impairment on non-financial assets	(167)	(105)
Tangible assets	(164)	(105)
Intangible assets	(4)	—
Other assets	1	—
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	3	1
Negative goodwill recognized in profit or loss	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	107	(43)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**746**	**249**
Tax expense or income related to profit or loss from continuing operations	58	(36)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**803**	**213**
Profit (loss) after tax from discontinued operations	277	(2,396)
PROFIT (LOSS) FOR THE YEAR	**1,080**	**(2,182)**

(*) Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	2021	2020 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**1,080**	**(2,182)**
OTHER RECOGNIZED INCOME (EXPENSE)	**(349)**	**(643)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**186**	**(756)**
Actuarial gains (losses) from defined benefit pension plans	(4)	14
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	167	(786)
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	33	4
Income tax related to items not subject to reclassification to income statement	(10)	12
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(535)**	**113**
Hedge of net investments in foreign operations [effective portion]	**—**	**—**
Valuation gains (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	**(705)**	**92**
Valuation gains (losses) taken to equity	(705)	92
Transferred to profit or loss	—	—
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments [non-designated elements]	**—**	**—**
Debt securities at fair value through other comprehensive income	**(14)**	**24**
Valuation gains (losses) taken to equity	49	86
Transferred to profit or loss	(63)	(61)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	**—**	**—**
Income tax relating to items subject to reclassification to income statements	**184**	**(3)**
TOTAL RECOGNIZED INCOME/EXPENSE	**731**	**(2,825)**

(*) Presented for comparison purposes only.

Statement of changes in equity for the year ended December 31, 2021 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2021	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2021	**3,267**	**23,992**	**—**	**34**	**8,859**	**—**	**31**	**(9)**	**(2,182)**	**—**	**(1,124)**	**32,867**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,080**	**—**	**(349)**	**731**
Other changes in equity	**—**	**(393)**	**—**	**15**	**(2,423)**	**—**	**(1,058)**	**(565)**	**2,182**	**(533)**	**13**	**(2,763)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Period or maturity of other issued equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	(533)	—	(927)
Purchase of treasury shares	—	—	—	—	—	—	—	(925)	—	—	—	(925)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(4)	360	—	—	—	356
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	(2)	(2,064)	—	(129)	—	2,182	—	13	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	17	(359)	—	(925)	—	—	—	—	(1,267)
Balances as of December 31, 2021	**3,267**	**23,599**	**—**	**49**	**6,436**	**—**	**(1,026)**	**(574)**	**1,080**	**(533)**	**(1,461)**	**30,836**

Statement of changes in equity for the year ended December 31, 2020 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2020 (*)	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, 2020	**3,267**	**23,992**	**—**	**48**	**9,107**	**—**	**1**	**—**	**2,241**	**(1,086)**	**(381)**	**37,189**
Total income/expense recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,182)**	**—**	**(643)**	**(2,825)**
Other changes in equity	**—**	**—**	**—**	**(14)**	**(248)**	**—**	**30**	**(9)**	**(2,241)**	**1,086**	**(101)**	**(1,497)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,067)	—	—	—	—	—	—	(1,067)
Purchase of treasury shares	—	—	—	—	—	—	—	(688)	—	—	—	(688)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(5)	679	—	—	—	674
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	(2)	1,206	—	51	—	(2,241)	1,086	(100)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	(12)	(387)	—	(16)	—	—	—	—	(415)
Balances as of December 31, 2020	**3,267**	**23,992**	**—**	**34**	**8,859**	**—**	**31**	**(9)**	**(2,182)**	**—**	**(1,124)**	**32,867**

(*) Presented for comparison purposes only.

CASH FLOWS STATEMENTS (Millions of Euros)	2021	2020 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	**(12,004)**	**25,890**
1.Profit (loss) for the year	**1,080**	**(2,182)**
2.Adjustments to obtain the cash flow from operating activities:	**1,313**	**3,320**
Depreciation and amortization	639	663
Other adjustments	674	2,657
3.Net increase/decrease in operating assets	**(15,123)**	**(16,070)**
Financial assets held for trading	(20,093)	(3,723)
Non-trading financial assets mandatorily at fair value through profit or loss	(26)	447
Other financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	9,323	(12,623)
Financial assets at amortized cost	(5,494)	(683)
Other operating assets	1,167	512
4.Net increase/decrease in operating liabilities	**928**	**40,224**
Financial liabilities held for trading	10,724	(3,961)
Other financial liabilities designated at fair value through profit or loss	(1,029)	298
Financial liabilities at amortized cost	(9,209)	45,202
Other operating liabilities	443	(1,314)
5.Collection/Payments for income tax	**(202)**	**598**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**10,049**	**(125)**
1.Investment	**(502)**	**(430)**
Tangible assets	(56)	(96)
Intangible assets	(319)	(251)
Investments in subsidiaries, joint ventures and associates	(116)	(84)
Other business units	—	—
Non-current assets and disposal groups classified as held for sale and associated liabilities	(12)	—
Other settlements related to investing activities	—	—
2.Divestments	**10,551**	**306**
Tangible assets	21	29
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	77	70
Other business units	—	—
Non-current assets classified as held for sale and associated liabilities	10,453	206
Other collections related to investing activities	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(3,028)**	**(662)**
1. Payments	**(3,540)**	**(3,686)**
Dividends (shareholders remuneration)	(927)	(1,067)
Subordinated liabilities	(1,684)	(1,937)
Treasury stock amortization	—	—
Treasury stock acquisition	(929)	(682)
Other items relating to financing activities	—	—
2. Collections	**512**	**3,024**
Subordinated liabilities	—	2,334
Common stock increase	—	—
Treasury stock disposal	356	674
Other items relating to financing activities	156	17
D) EFFECT OF EXCHANGE RATE CHANGES	**(303)**	**584**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**(5,286)**	**25,688**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**44,107**	**18,419**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**38,821**	**44,107**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)	2021	2020 (*)
Cash	830	972
Balance of cash equivalent in central banks	36,566	40,485
Other financial assets	1,424	2,650
Less: Bank overdraft refundable on demand	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**38,821**	**44,107**

(*) 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, 2021.

APPENDIX X. Information on data derived from the special accounting registry and other information bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The **mortgage origination** policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 4/2017. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for **issues related to the mortgage market**, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and advances" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established on the applicable regulation, the Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the collateral which serves as guarantee and the eligible collateral, to avoid exceeding any limit which is applicable in accordance with the applicable regulations at any time. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of December 31, 2021 and 2020 is shown below.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		2021	2020
Nominal value of outstanding loans and mortgage loans	(A)	86,112	88,753
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	*(B)*	*(27,106)*	*(27,549)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**(A)-(B)**	**59,006**	**61,204**
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*(C)*	*45,006*	*44,854*
Of which: Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	*(D)*	*(1,043)*	*(1,169)*
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**(C)-(D)**	**43,963**	**43,685**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	(E)	35,170	34,948
Issued Mortgage-covered bonds	**(F)**	**31,899**	**32,069**
Outstanding Mortgage-covered bonds		**9,399**	**12,559**
Capacity to issue mortgage-covered bonds	(E)-(F)	3,271	2,879
Memorandum items:			
Percentage of overcollateralization across the portfolio		*185 %*	*191 %*
Percentage of overcollateralization across the eligible used portfolio		*138 %*	*136 %*
Nominal value of available sums (committed and unused) from all loans and mortgage loans.		5,765	5,549
Of which: Potentially eligible		*4,972*	*4,885*
Of which: Ineligible		*793*	*664*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.		7,623	9,006
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.		—	—

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		2021	2020
Total loans	**(1)**	**86,112**	**88,753**
Issued mortgage participations	**(2)**	**3,703**	**4,114**
Of which: recognized on the balance sheet		*2,632*	*2,928*
Issued mortgage transfer certificates	**(3)**	**23,403**	**23,435**
Of which: recognized on the balance sheet		*21,530*	*21,098*
Mortgage loans as collateral of mortgages bonds	**(4)**		**—**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**59,006**	**61,204**
Non eligible loans		14,000	16,350
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		7,623	9,006
Other		6,377	7,344
Eligible loans		45,006	44,854
That cannot be used as collateral for issuances		1,043	1,169
That can be used as collateral for issuances		43,963	43,685
Loans used to collateralize mortgage bonds		—	—
Loans used to collateralize mortgage-covered bonds		43,963	43,685

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	2021			2020		
	Total mortgage loans	Eligible Loans (*)	Eligibles that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans (*)	Eligibles that can be used as collateral for issuances (**)
Total	**59,006**	**45,006**	**43,963**	**61,204**	**44,854**	**43,685**
By source of the operations						
Originated by the bank	54,830	41,426	40,413	56,593	40,975	39,846
Subrogated by other institutions	687	549	545	763	589	584
Rest	3,489	3,031	3,005	3,848	3,290	3,255
By Currency						
In Euros	58,873	44,908	43,865	61,033	44,742	43,573
In foreign currency	133	98	98	171	112	112
By payment situation						
Normal payment	53,002	42,477	41,789	54,197	42,245	41,388
Other situations	6,004	2,529	2,174	7,007	2,609	2,297
By residual maturity						
Up to 10 years	11,948	9,776	9,505	13,031	10,037	9,759
10 to 20 years	24,634	21,332	20,653	25,898	22,116	21,359
20 to 30 years	19,513	13,139	13,064	18,713	11,718	11,613
Over 30 years	2,911	759	741	3,562	983	954
By Interest rate						
Fixed rate	16,657	12,529	12,462	13,412	9,318	9,260
Floating rate	42,349	32,477	31,501	47,792	35,536	34,425
Mixed rate	—	—	—			
By target of operations						
For business activity	9,494	6,316	5,482	10,699	6,598	5,681
Of which: RE development	*2,116*	*1,415*	*695*	*2,215*	*1,555*	*757*
Household and NPISHs	49,512	38,690	38,481	50,505	38,256	38,004
By type of guarantee						
Secured by completed assets/buildings	**57,390**	**44,052**	**43,275**	**59,190**	**43,696**	**42,868**
Residential use	50,941	39,806	39,182	52,145	39,454	38,781
Of which: public housing	*3,418*	*2,851*	*2,728*	*3,791*	*3,078*	*2,942*
Commercial	6,407	4,236	4,083	7,015	4,233	4,078
Other	42	10	10	30	9	9
Secured by assets/buildings under construction	**1,132**	**779**	**556**	**1,303**	**942**	**660**
Residential use	836	619	400	1,004	734	453
Of which: public housing	*1*	*—*	*—*	*1*	*—*	*—*
Commercial	296	160	156	299	208	207
Other	—	—	—			
Secured by land	**484**	**175**	**132**	**711**	**216**	**157**
Urban	178	73	33	275	88	34
Non-urban	306	102	99	436	128	123

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

(**) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
December 2021					
Home mortgages	13,612	13,935	13,004	—	40,551
Other mortgages	2,264	2,191			4,455
Total	**15,876**	**16,126**	**13,004**	**—**	**45,006**
December 2020					
Home mortgages	13,665	14,339	12,211	—	40,215
Other mortgages	2,351	2,288			4,639
Total	**16,016**	**16,627**	**12,211**	**—**	**44,854**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	2021		2020	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the beginning	**44,854**	**16,350**	**44,759**	**17,825**
Retirements	**6,829**	**6,033**	**6,429**	**4,535**
Held-to-maturity cancellations	4,008	1,013	3,918	736
Anticipated cancellations	2,283	971	1,913	930
Subrogations to other institutions	56	20	48	19
Rest	482	4,029	550	2,850
Additions	**6,981**	**3,684**	**6,524**	**3,060**
Originated by the bank	5,275	3,138	3,740	2,396
Subrogations to other institutions	25	10	3	1
Rest	1,682	535	2,781	664
Balance at the end	**45,006**	**14,000**	**44,854**	**16,350**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	2021	2020
Potentially eligible	4,972	4,885
Ineligible	793	664
Total	**5,765**	**5,549**

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of Euros)

	2021		2020	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	**—**		**—**	
Mortgage-covered bonds	**31,899**		**32,069**	
Of which: Non recognized as liabilities on balance	*22,500*		*19,510*	
Of Which: outstanding	*9,399*		*12,559*	
Debt securities issued through public offer	7,700		10,450	
Residual maturity up to 1 year	*1,250*		*2,750*	
Residual maturity over 1 year and less than 2 years	*2,250*		*1,250*	
Residual maturity over 2 years and less than 3 years	*1,000*		*2,250*	
Residual maturity over 3 years and less than 5 years	*3,000*		*3,000*	
Residual maturity over 5 years and less than 10 years	*—*		*1,000*	
Residual maturity over 10 years	*200*		*200*	
Debt securities issued without public offer	22,610		19,605	
Residual maturity up to 1 year	*2,000*		*1,500*	
Residual maturity over 1 year and less than 2 years	*9,000*		*2,000*	
Residual maturity over 2 years and less than 3 years	*—*		*9,000*	
Residual maturity over 3 years and less than 5 years	*8,500*		*4,000*	
Residual maturity over 5 years and less than 10 years	*3,110*		*3,105*	
Residual maturity over 10 years	*—*		*—*	
Deposits	1,589		2,014	
Residual maturity up to 1 year	*368*		*425*	
Residual maturity over 1 year and less than 2 years	*100*		*368*	
Residual maturity over 2 years and less than 3 years	*—*		*100*	
Residual maturity over 3 years and less than 5 years	*371*		*371*	
Residual maturity over 5 years and less than 10 years	*750*		*100*	
Residual maturity over 10 years	*—*		*650*	
Mortgage participations	**2,632**	**251**	**2,928**	**257**
Issued through public offer	2,632	251	2,928	257
Issued without public offer			—	—
Mortgage transfer certificates	**21,530**	**251**	**21,098**	**257**
Issued through public offer	21,530	251	21,098	257
Issued without public offer	—	—	—	—

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of December 31, 2021 and 2020:

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)	Nominal value 2021	Nominal value 2020
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,539	3,284
Minos: Loans that support the issuance of internationalization bonds	—	—
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	15	8
Total Loans included in the base of all issuance limit	**3,524**	**3,276**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)	Nominal value 2021	Nominal value 2020
(1) Debt securities issued through public offer (a)	**1,500**	**1,500**
Of which: Treasury shares	*1,500*	*1,500*
Residual maturity up to 1 year	1,500	—
Residual maturity over 1 year and less than 2 years	—	1,500
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(2) Debt securities issued without public offer (a)	**—**	**—**
Of which: Treasury shares	—	—
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(3) Deposits (b)	**—**	**—**
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**
	Percentage	**Percentage**
Coverage ratio of internationalization covered bonds on loans (c)	**43 %**	**46 %**

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

Loans that serves as collateral for the territorial bonds

	Nominal Value(a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
December 2021			
Central Governments	1,435	1,422	13
Regional Governments	7,756	7,729	27
Local Governments	3,598	3,598	—
Total loans	**12,789**	**12,749**	**40**
December 2020			
Central Governments	1,505	1,396	109
Regional Governments	7,633	7,605	28
Local Governments	3,665	3,665	—
Total loans	**12,803**	**12,666**	**137**

(a) Principal pending payment of loans.

d.2) Liabilities operations

TERRITORIAL BONDS

	Nominal value 2021	Nominal value 2020
Territorial bonds issued (a)	**6,540**	**6,540**
Issued through a public offering	6,540	6,540
Of which: Treasury stock	*6,040*	*6,040*
Residual maturity up to 1 year	840	2,000
Residual maturity over 1 year and less than 2 years	200	840
Residual maturity over 2 years and less than 3 years	500	200
Residual maturity over 3 years and less than 5 years	5,000	3,500
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
Other issuances	—	—
Of which: Treasury stock	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
	Percentage	Percentage
Coverage ratio of the territorial bonds on loans (b)	**51%**	**51%**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Notes 14.3 and 22.4 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX XI. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 2021, 2020 and 2019 is as follows:

DECEMBER 2021 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	59	63	32	22	15	—	(11)
Other financial corporations and individual entrepreneurs (financial business)	377	30	25	2	2	—	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	99,852	6,590	11,417	3,552	2,108	45	(3,196)
Of which: financing the construction and property (including land)	*739*	*155*	*1,785*	*486*	*322*	*—*	*(513)*
Other households (*)	275,927	1,813	96,312	5,877	4,473	25	(1,622)
Total	**376,215**	**8,496**	**107,786**	**9,453**	**6,599**	**70**	**(4,834)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	29	29	23	10	6	—	(10)
Other financial corporations and individual entrepreneurs (financial business)	255	11	17	1	1	—	(5)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	74,054	3,701	7,423	1,799	855	10	(2,639)
Of which: financing the construction and property (including land)	*592*	*148*	*1,229*	*320*	*179*	*—*	*(464)*
Other households (*)	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)**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

DECEMBER 2020 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	67	77	69	62	45	—	(15)
Other financial corporations and individual entrepreneurs (financial business)	519	10	22	2	2	—	(4)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	111,648	5,592	11,343	3,182	1,911	33	(3,128)
Of which: financing the construction and property (including land)	*624*	*500*	*1,081*	*622*	*370*	*8*	*(420)*
Other households (*)	261,097	1,782	86,643	5,992	4,379	27	(1,712)
Total	**373,331**	**7,460**	**98,077**	**9,239**	**6,337**	**60**	**(4,859)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	39	36	29	20	14	—	(12)
Other financial corporations and individual entrepreneurs (financial business)	283	5	11	1	1	—	(3)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	67,588	3,470	6,880	1,939	916	21	(2,727)
Of which: financing the construction and property (including land)	*469*	*216*	*674*	*408*	*197*	*8*	*(311)*
Other households (*)	113,013	765	37,063	2,805	1,820	8	(1,358)
Total	**180,923**	**4,274**	**43,983**	**4,765**	**2,750**	**30**	**(4,100)**

(*) 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 2019 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	73	93	64	64	49	—	(11)
Other financial corporations and individual entrepreneurs (financial business)	387	8	62	4	3	—	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	68,121	5,085	18,283	3,646	1,810	178	(3,252)
Of which: financing the construction and property (including land)	1,131	400	1,314	688	393	32	(428)
Other households (*)	173,403	1,510	67,513	5,827	4,414	33	(1,519)
Total	**241,984**	**6,696**	**85,922**	**9,541**	**6,276**	**211**	**(4,788)**

	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	45	41	30	21	16	—	(7)
Other financial corporations and individual entrepreneurs (financial business)	241	6	30	2	1	—	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39	3,148	12	2,466	1,020	50	(2,923)
Of which: financing the construction and property (including land)	819	321	790	445	210	4	(392)
Other households (*)	96,429	758	34,463	2,908	2,096	17	(1,229)
Total	**136,095**	**3,954**	**46,229**	**5,396**	**3,044**	**67**	**(4,164)**

(*) 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, 2021, 2020 and 2019:

Forbearance operations. Breakdown by segments (Millions of Euros)

	2021	2020	2019
Credit institutions	—	—	—
Central governments	74	124	147
Other financial corporations and individual entrepreneurs (financial activity)	26	8	6
Non-financial corporations and individual entrepreneurs (non-financial activity)	6,946	5,645	5,479
Of which: Financing the construction and property development (including land)	*128*	*701*	*660*
Households	6,068	6,062	5,818
Total carrying amount	**13,114**	**11,840**	**11,450**
Financing classified as non-current assets and disposal groups held for sale	—	858	42

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, 2021 and December 31, 2020, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

NPL ratio renegotiated loan portfolio

	Ratio of impaired loans - past due	
	2021	2020
General governments	45%	40%
Commercial	54%	62%
Of which: Construction and developer	*73%*	*56%*
Other consumer	47%	46%

b. Qualitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

December 2021 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	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 (**) and individual entrepreneurs	51,137	12,518	1,307	4,292	3,692	2,228	1,445	2,167
Rest of households and NPISHs (***)	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 (****)	*13,114*	*7,513*	*98*	*1,611*	*1,460*	*1,600*	*1,176*	*1,765*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises.

(***) Non-profit institutions serving households.

(****) Net of provisions.

December 2020 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	Mortgage loans	Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	19,718	372	1,451	390	546	135	714	39
Other financial institutions and individual entrepreneurs	17,464	200	9,398	166	1,585	2,610	4,948	289
Non-financial institutions and individual entrepreneurs	143,693	23,686	4,082	8,294	7,162	4,467	3,200	4,646
Construction and property development	4,379	3,244	82	1,048	1,015	678	263	321
Construction of civil works	6,810	641	279	274	194	97	48	306
Other purposes	132,504	19,801	3,721	6,972	5,953	3,691	2,888	4,019
Large companies	79,595	6,648	1,920	2,561	1,811	1,242	1,012	1,943
SMEs (**) and individual entrepreneurs	52,909	13,154	1,801	4,411	4,142	2,449	1,877	2,076
Rest of households and NPISHs (***)	137,870	92,555	1,836	19,606	24,126	27,130	15,463	8,066
Housing	94,098	90,756	131	18,743	23,719	26,817	13,960	7,648
Consumption	39,442	418	1,521	246	190	139	1,245	118
Other purposes	4,331	1,381	184	617	216	174	257	301
TOTAL	**318,745**	**116,813**	**16,768**	**28,456**	**33,419**	**34,343**	**24,324**	**13,039**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,840*	*7,271*	*74*	*1,350*	*1,408*	*1,587*	*1,165*	*1,834*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises.

(***) Non-profit institutions serving households.

(****) Net of provisions.

December 2019 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	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	29,257	1,067	10,886	4,914	1,510	1,077	3,651	801
Other financial institutions and individual entrepreneurs	23,114	281	13,699	1,856	219	103	11,687	115
Non-financial institutions and individual entrepreneurs	176,474	26,608	30,313	22,901	10,082	8,478	5,270	10,190
Construction and property development	15,171	4,497	2,114	2,313	1,765	1,476	457	600
Construction of civil works	7,146	756	468	499	248	152	106	219
Other purposes	154,157	21,355	27,731	20,089	8,069	6,850	4,707	9,371
Large companies	104,661	8,665	19,058	12,647	3,620	3,828	2,727	4,901
SMEs (**) and individual entrepreneurs	49,496	12,690	8,673	7,442	4,449	3,022	1,980	4,470
Rest of households and NPISHs (***)	167,117	108,031	5,582	23,057	27,714	32,625	20,529	9,688
Housing	110,178	104,796	2,332	20,831	26,639	31,707	18,701	9,250
Consumption	46,356	507	2,075	450	316	174	1,502	140
Other purposes	10,583	2,728	1,175	1,776	759	744	326	298
TOTAL	**395,962**	**135,987**	**60,480**	**52,728**	**39,525**	**42,283**	**41,137**	**20,794**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,450*	*7,396*	*256*	*1,547*	*1,427*	*1,572*	*1,247*	*1,859*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises.

(***) Non-profit institutions serving households.

(****) Net of provisions.

c. Information on the concentration of risk by activity and geographical areas

December 2021 (Millions of Euros)

	TOTAL (*)	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
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**

(*) 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 and contingent risks”. The amounts included in this table are net of loss allowances.

December 2020 (Millions of Euros)

	TOTAL (*)	Spain	Rest of European Union	America	Other
Credit institutions	140,294	44,287	29,055	39,897	27,055
General governments	125,311	61,944	12,660	37,756	12,951
Central Administration	103,104	46,614	12,324	31,477	12,689
Other	22,207	15,330	336	6,279	262
Other financial institutions	48,236	14,727	11,575	15,640	6,294
Non-financial institutions and individual entrepreneurs	202,708	74,560	23,783	60,245	44,120
Construction and property development	8,182	3,384	202	1,899	2,697
Construction of civil works	10,385	5,275	1,349	1,183	2,578
Other purposes	184,141	65,901	22,232	57,163	38,845
Large companies	125,847	39,272	21,610	37,904	27,061
SMEs and individual entrepreneurs	58,294	26,629	622	19,259	11,784
Other households and NPISHs	138,544	88,633	2,882	36,690	10,339
Housing	94,098	73,383	1,747	16,262	2,706
Consumer	39,442	12,117	719	19,264	7,342
Other purposes	5,004	3,133	416	1,164	291
TOTAL	**655,093**	**284,151**	**79,955**	**190,228**	**100,759**

(*) 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 and contingent risks”. The amounts included in this table are net of loss allowances.

December 2019 (Millions of Euros)

	TOTAL (*)	Spain	Rest of European Union	America	Other
Credit institutions	106,462	23,050	37,933	31,717	13,762
General governments	134,915	56,464	9,861	57,174	11,416
Central Administration	96,639	39,573	9,505	36,287	11,274
Other	38,276	16,891	356	20,887	142
Other financial institutions	52,281	13,822	19,763	15,736	2,960
Non-financial institutions and individual entrepreneurs	231,964	70,753	25,932	92,178	43,101
Construction and property development	18,915	3,538	361	11,688	3,328
Construction of civil works	10,607	5,403	1,303	1,431	2,470
Other purposes	202,442	61,812	24,268	79,059	37,303
Large companies	147,573	37,393	23,279	61,838	25,063
SMEs and individual entrepreneurs	54,869	24,419	989	17,221	12,240
Other households and NPISHs	167,379	90,829	3,180	62,098	11,272
Housing	110,178	75,754	725	30,557	3,142
Consumer	46,358	11,954	675	25,897	7,832
Other purposes	10,843	3,121	1,780	5,644	298
TOTAL	**693,001**	**254,918**	**96,669**	**258,903**	**82,511**

(*) 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 and contingent risks". 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, 2021.

APPENDIX XII. Additional information on risk concentration

a. Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 2021, 2020 and 2019: 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		
	2021	**2020**	**2019**
Spain	52,927	60,916	55,575
Italy	13,720	10,270	7,810
Turkey	5,868	7,578	7,999
Portugal	697	1,067	924
Germany	212	342	224
France	124	108	93
Netherlands	3	—	1
Romania	461	459	480
Rest of Europe	522	244	185
Subtotal Europe	**74,534**	**80,984**	**73,291**
Mexico	34,872	31,237	32,630
The United States	1,841	14,217	19,802
Colombia	2,676	1,466	1,828
Peru	805	1,539	1,557
Argentina	850	706	582
Venezuela	—	21	7
Rest of countries	5,871	5,559	3,726
Subtotal rest of countries	**46,915**	**54,746**	**60,131**
Total exposure to financial instruments	**121,449**	**135,729**	**133,421**

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, 2021 by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

Exposure to Sovereign Risk by European Union Countries. December 2021 (Millions of Euros)

			Derivatives							
			Direct exposure			Indirect exposure				
	Debt securities	Loans and advances	Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -	Total	%
Spain	25,596	12,542	288	5	(19)	12	3,084	(2,883)	38,626	40 %
Italy	9,257	16	—	—	—	(1,146)	747	(1,865)	7,008	7 %
Portugal	(304)	128	—	—	—	(2)	—	(3)	(180)	— %
Germany	69	—	—	—	—	(54)	47	—	61	— %
France	(1,169)	25	—	—	—	841	1,588	(879)	407	— %
Netherlands	—	—	—	—	—	—	—	—	—	— %
Romania	461	—	—	—	—	—	—	—	461	— %
Rest of European Union	(415)	88	295	4	(1)	293	316	(1)	578	1 %
Total Exposure to Sovereign Counterparties (European Union)	**33,495**	**12,799**	**583**	**9**	**(20)**	**(57)**	**5,782**	**(5,630)**	**46,962**	**48 %**
Mexico	21,997	5,102	5,550	6	(206)	(4)	—	—	32,445	33 %
The United States	1,732	—	—	—	—	(4)	1,820	(1,820)	1,728	2 %
Turkey	5,591	236	—	—	—	—	3	(3)	5,827	6 %
Rest of other countries	7,611	2,223	—	5	—	721	42	(7)	10,596	11 %
Total other countries	**36,932**	**7,560**	**5,550**	**11**	**(206)**	**712**	**1,865**	**(1,830)**	**50,594**	**52 %**
Total	**70,427**	**20,359**	**6,134**	**19**	**(225)**	**656**	**7,647**	**(7,460)**	**97,556**	**100 %**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of European Union countries of the Group's insurance companies (€10,101 million as of December 31, 2021) 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 2021.

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, 2021, 2020 and 2019 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		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Financing to construction and real estate development (including land) (Business in Spain)	**2,123**	**2,565**	**2,649**	**455**	**650**	**688**	**(197)**	**(281)**	**(286)**
Of which: Impaired assets	*337*	*473*	*567*	*132*	*213*	*271*	*(142)*	*(230)*	*(252)*
Memorandum item:									
Write-offs	2,155	2,288	2,265						
Memorandum item:									
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	168,734	162,600	185,893						
Total consolidated assets (total business) (book value)	662,885	733,797	695,471						
Impairment and provisions for normal exposures	(4,610)	(4,909)	(4,934)						

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)

	2021	2020	2019
Without secured loan	**248**	**372**	**298**
With secured loan	**1,875**	**2,193**	**2,351**
Terminated buildings	1,172	1,307	1,461
Homes	936	991	1,088
Other	235	316	373
Buildings under construction	517	614	545
Homes	509	430	348
Other	8	184	197
Land	186	272	345
Urbanized land	124	143	240
Rest of land	62	129	105
Total	**2,123**	**2,565**	**2,649**

As of December 31, 2021, 2020 and 2019, 55.2% 51.0% and 55.2%, of loans to developers were guaranteed with buildings (79.9%, 75.8% and 74.5% are homes), and only 8.8%, 10.6%, and 13.0% by land, of which 66.6%, 52.6%, and 69.6% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2021, 2020 and 2019:

Financial guarantees given (Millions of Euros)

	2021	2020	2019
Houses purchase loans	56	58	44
Without mortgage	3	5	5

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, December 31, 2021, 2020 and 2019 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*		
	2021	**2020**	**2019**	***2021***	***2020***	***2019***
Houses purchase loans	74,094	74,689	76,961	*2,748*	*2,841*	*2,943*
Without mortgage	*1,631*	*1,693*	*1,672*	*13*	*20*	*22*
With mortgage	*72,463*	*72,996*	*75,289*	*2,735*	*2,821*	*2,921*

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 2021	15,189	18,107	22,782	9,935	6,449	72,463
Of which: Impaired loans	*216*	*327*	*462*	*483*	*1,246*	*2,735*
Gross amount June 30,2021	15,197	18,891	20,716	10,624	7,568	72,996
Of which: Impaired loans	*170*	*294*	*426*	*470*	*1,461*	*2,821*
Gross amount December 31, 2020	15,105	19,453	20,424	11,827	8,480	75,289
Of which: Impaired loans	*182*	*313*	*506*	*544*	*1,376*	*2,921*

Outstanding home mortgage loans as of December 31, 2021, 2020 and 2019 had an average LTV of 46%, 46% and 47% respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	Gross Value			Provisions			Of which: Valuation adjustments on impaired assets, from the time of foreclosure			Carrying amount		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Real estate assets from loans to the construction and real estate development sectors in Spain	**654**	**913**	**1,048**	**(407)**	**(486)**	**(555)**	**(214)**	**(234)**	**(266)**	**247**	**427**	**493**
Terminated buildings	196	363	378	(94)	(144)	(150)	(44)	(60)	(58)	102	219	228
Homes	*87*	*212*	*221*	*(39)*	*(75)*	*(81)*	*(17)*	*(33)*	*(33)*	*48*	*137*	140
Other	*109*	*151*	*157*	*(55)*	*(69)*	*(69)*	*(27)*	*(27)*	*(25)*	*54*	*82*	88
Buildings under construction	23	30	79	(17)	(21)	(44)	(6)	(10)	(24)	6	9	35
Homes	*22*	*29*	*78*	*(16)*	*(20)*	*(43)*	*(6)*	*(10)*	*(24)*	*6*	*9*	35
Other	*1*	*1*	*1*	*(1)*	*(1)*	*(1)*	—	—	—	—	—	—
Land	435	520	591	(296)	(321)	(361)	(164)	(164)	(184)	139	199	230
Urbanized land	*406*	*485*	*547*	*(281)*	*(303)*	*(338)*	*(153)*	*(150)*	*(167)*	*125*	*182*	209
Rest of land	*29*	*35*	*44*	*(15)*	*(18)*	*(23)*	*(11)*	*(14)*	*(17)*	*14*	*17*	21
Real estate assets from mortgage financing for households for the purchase of a home	**970**	**1,128**	**1,192**	**(520)**	**(593)**	**(612)**	**(154)**	**(163)**	**(153)**	**450**	**535**	**580**
Rest of foreclosed real estate assets	**494**	**481**	**451**	**(264)**	**(259)**	**(233)**	**(62)**	**(48)**	**(37)**	**230**	**222**	**218**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**708**	**1,310**	**1,380**	**(449)**	**(450)**	**(293)**	**(410)**	**(412)**	**(255)**	**259**	**860**	**1,087**
Total	**2,826**	**3,832**	**4,071**	**(1,640)**	**(1,788)**	**(1,693)**	**(840)**	**(857)**	**(711)**	**1,186**	**2,044**	**2,378**

As of December 31, 2021, 2020 and 2019, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €654, €913 and €1,048 million, respectively, with an average coverage ratio of 62.2%, 53.2%, and 53.0% respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2021, 2020 and 2019, amounted to €970, €1,128 and €1,192 million, respectively, with an average coverage ratio of 53.6%, 52.6%, and 51.3%.

As of December 31, 2021, 2020 and 2019, 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 €2.118, €2,522 and €2,691 million, respectively. The coverage ratio was 56.2%, 53.1% and 52.0%, respectively.

This Appendix is an integral part of Note 7 of the consolidated financial statements for the year ended December 31, 2021.

c. Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. As of December 31, 2021, 2020 and 2019 it does not take into account loss allowances or loan-loss provisions:

Risks by geographical areas. December 2021 (Millions of Euros)

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**4,145**	**15,783**	**1,511**	**4,706**	**945**	**3,248**	**594**	**30,933**
Equity instruments (*)	**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**

(*) Equity instruments are shown net of valuation adjustment.

Risks by geographical areas. December 2020 (Millions of Euros)

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**8,419**	**17,811**	**2,292**	**8,350**	**349**	**2,162**	**800**	**40,183**
Equity instruments (*)	**2,196**	**9,627**	**3,197**	**925**	**65**	**260**	**420**	**16,690**
Debt securities	**56,552**	**18,932**	**29,392**	**5,097**	**7,466**	**5,907**	**6,287**	**129,632**
Central banks	—	—	—	—	—	2,535	100	2,635
General governments	48,765	12,320	26,567	2,412	7,449	2,547	4,641	104,701
Credit institutions	1,680	2,383	1,542	214	14	205	681	6,718
Other financial corporations	5,466	1,804	404	897	2	439	163	9,175
Non-financial corporations	641	2,426	879	1,574	—	180	702	6,402
Loans and advances	**168,849**	**50,691**	**57,787**	**8,335**	**40,373**	**39,081**	**9,964**	**375,080**
Central banks	1,301	37	235	204	3,408	1,060	37	6,282
General governments	12,712	328	4,671	—	181	1,401	732	20,026
Credit institutions	644	23,123	2,888	1,477	217	830	3,762	32,940
Other financial corporations	3,742	10,826	2,489	946	1,165	756	723	20,647
Non-financial corporations	55,314	13,078	22,878	5,670	23,963	18,215	4,573	143,691
Households	95,136	3,298	24,626	38	11,439	16,819	137	151,493
Total risk in financial assets	**236,016**	**97,061**	**92,667**	**22,706**	**48,253**	**47,410**	**17,471**	**561,585**
Loan commitments given	35,096	32,327	15,748	33,644	7,691	6,530	1,548	132,584
Financial guarantees given	850	3,302	24	714	4,415	1,013	348	10,665
Other commitments given	15,474	8,224	1,618	1,922	3,403	2,883	2,666	36,190
Off-balance sheet exposures	**51,419**	**43,853**	**17,391**	**36,280**	**15,508**	**10,425**	**4,563**	**179,440**
Total risks in financial instruments	**287,436**	**140,914**	**110,058**	**58,986**	**63,761**	**57,836**	**22,034**	**741,025**

(*) Equity instruments are shown net of valuation adjustment.

Risks by geographical areas. December 2019 (Millions of Euros)

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**5,241**	**16,603**	**1,328**	**6,354**	**189**	**1,788**	**729**	**32,232**
Equity instruments (*)	**3,745**	**6,184**	**3,829**	**1,311**	**55**	**268**	**247**	**15,639**
Debt securities	**48,806**	**13,283**	**28,053**	**17,733**	**7,934**	**5,383**	**4,210**	**125,403**
Central banks	—	—	—	—	—	1,785	70	1,855
General governments	41,510	9,403	25,852	14,465	7,921	2,732	2,846	104,728
Credit institutions	1,237	1,672	658	150	9	263	611	4,600
Other financial corporations	5,643	1,001	317	2,085	3	433	136	9,619
Non-financial corporations	416	1,207	1,226	1,034	1	170	548	4,602
Loans and advances	**171,673**	**49,757**	**63,505**	**65,044**	**45,874**	**40,787**	**9,264**	**445,903**
Central banks	14	—	—	—	3,647	684	475	4,820
General governments	14,477	394	6,820	5,342	111	1,536	637	29,317
Credit institutions	6,626	18,274	2,050	648	1,996	1,012	2,112	32,717
Other financial corporations	3,103	13,351	1,611	2,313	1,248	704	752	23,082
Non-financial corporations	50,718	14,215	24,823	34,960	26,099	17,963	5,130	173,908
Households	96,735	3,523	28,201	21,781	12,773	18,888	158	182,059
Total risk in financial assets	**229,465**	**85,827**	**96,715**	**90,442**	**54,052**	**48,226**	**14,450**	**619,177**
Loan commitments given	33,146	26,687	17,361	35,185	8,665	8,060	1,819	130,923
Financial guarantees given	3,182	1,605	656	754	3,170	911	705	10,984
Other commitments given	16,204	9,125	1,534	2,075	5,065	2,808	2,397	39,209
Off-balance sheet exposures	**52,532**	**37,417**	**19,551**	**38,014**	**16,900**	**11,779**	**4,922**	**181,116**
Total risks in financial instruments	**281,997**	**123,244**	**116,266**	**128,456**	**70,952**	**60,005**	**19,372**	**800,293**

(*) Equity instruments are shown net of valuation adjustment.

The breakdown of the main figures in the most significant foreign currencies in the accompanying 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, 2021, 2020 and 2019 is as follows:

Impaired financial assets by geographic area (Millions of Euros)

	2021	2020	2019
Spain	8,143	8,199	8,616
Rest of Europe	104	118	175
Mexico	1,921	1,767	1,478
South America	1,744	1,703	1,769
Turkey	2,746	2,889	3,289
Rest of the world (*)	—	2	634
IMPAIRED RISKS	**14,657**	**14,678**	**15,959**

(*) In 2019, it includes the balances of the Group's businesses in the United States included within the scope of the USA Sale (see Notes 1.3, 3 and 21).

This Appendix is an integral part of Note 7.2.8 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX XIII Information in accordance with article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

December 31, 2021 (Millions of Euros)

Country	CIT payments cash basis (*)	CIT expense consol	PBT consol	Gross margin	Nº employees (**)	Activity	Main Entity
Spain (***)	90	901	1,030	6,161	23,933	Finance, banking and insurance services	BBVA S.A.
Mexico	360	957	3,532	7,448	40,238	Finance, banking and insurance services	BBVA México, S.A.
Turkey	330	437	1,851	3,145	20,063	Finance, banking and insurance services	Garanti BBVA AS
United States (****)	34	108	586	1,502	285	Finance and banking services	BBVA, S.A. -New York Branch Office
Peru	173	120	385	1,093	5,780	Finance and banking services	BBVA Banco Continental S.A.
Colombia	90	101	338	889	6,721	Finance, banking and insurance services	BBVA Colombia S.A.
Argentina	27	39	129	816	5,364	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Uruguay	16	7	29	134	579	Finance and banking services	BBVA Uruguay S.A.
Chile	12	16	71	133	714	Financial services	Forum Servicios Financieros, S.A.
United Kingdom	8	8	61	108	117	Banking services	BBVA, S.A. -London Branch Office
Romania	4	7	41	106	1,119	Finance and banking services	Garanti Bank SA
Portugal	9	15	47	95	440	Finance and banking services	BBVA, S.A. - Portugal Branch Office
Hong Kong	8	9	57	80	90	Banking services	BBVA Banco Provincial S.A.
Malta	4	2	21	77	14	Banking services	Garanti BBVA AS - La Valeta Branch Office
Netherlands	—	6	23	70	207	Finance and banking services	Garantibank BBVA International N.V.
Italy	28	17	57	66	52	Banking services	BBVA, S.A. -Milan Branch Office
France	7	9	42	61	63	Banking services	BBVA, S.A. -Paris Branch Office
Venezuela	1	5	7	56	1,748	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Germany	27	5	26	40	37	Banking services	BBVA, S.A. -Frankfurt Branch Office
Switzerland	6	2	8	39	117	Finance and banking services	BBVA (Switzerland) S.A.
Bolivia	3	3	12	28	468	Pensions	BBVA Previsión AFP SA
Cyprus	3	5	21	23	106	Banking services	Garanti BBVA AS - Nicosia Branch Office
Singapore	2	3	18	22	12	Banking services	BBVA, S.A. -Singapore Branch Office
Taiwan	—	(1)	(2)	7	11	Banking services	BBVA, S.A. -Taipei Branch Office
Curaçao	—	—	4	7	16	Finance and banking services	Banco Provincial Overseas N.V.
China	—	—	1	6	27	Banking services	BBVA, S.A. -Shanghai Branch Office
Belgium	—	—	4	5	22	Banking services	BBVA S.A. -Brussels Branch Office
Brazil	—	—	—	2	6	Financial services	BBVA Brasil Banco de Investimento, S.A.
Finland	—	—	1	—	—	Financial services	Holvi Payment Service OY
Japan	—	—	(1)	—	4	Banking services	BBVA S.A.-Tokio Branch Office
Paraguay	10	—	—	—	—	Finance and banking services	BBVA Paraguay S.A.
Total	**1,252**	**2,781**	**8,399**	**22,219**	**108,353**		

(*) 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 installments 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.

(**) Full time employees. The 21 employees of representative offices are not included in the total number.

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

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

The total gross margin of the Group which appears in the previous table does not tie up with the one existing in the consolidated income statement since the total gross margin of such table also includes the gross margin generated, up to the moment of its sale, by the companies included in the USA Sale, whose "Profit before taxes" and "Corporate income tax expense" are classified under "Profits (losses) after taxes from discontinued operations.

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, 2021, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.85%.

In 2021 ([1]), BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

([1]) BBVA disclosed by means of public relevant events: (i) on 07/27/2012 the closing of the acquisition of UNNIM Banc, S.A. and (ii) on 04/24/2015 the closing of the acquisition of Catalunya Banc, S.A.

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
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.
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 (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Expected Credit Loss (ECL)	Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect: 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort. The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Foreign activity	International balances are those of BBVA´s Group entities domiciled outside of Spain, which reflect our foreign activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").

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. 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.
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 financial guarantees given	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for financial guarantees given. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
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 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.
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.

Renegotiated Operation	An operation whose financial conditions are modified when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the conditions are modified for reasons other than restructuring.
Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Right of use asset	Asset that represents the lessee’s right to use an underlying asset during the lease term.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.
Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: a) 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. b) 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; c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) 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 (Stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - significant increase in credit risk (Stage 2) and the third one, the impaired operations Impaired (Stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to Stage 2 is no longer met, the exposure will be transferred to Stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as Stage 2. However, when the loan is not flagged as forbearance it will be transferred back to Stage 1.
Statements of cash flows	The indirect method has been used for the preparation of the statement of cash flows. This method starts from the entity's profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used: · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Statements of changes in equity	The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
statements of recognized income and expense	The statement of recognized income and expenses reflect the income and expenses generated in each fiscal year, distinguishing between those recognized in the profit and loss accounts and the "Other recognized income and expenses"; which are recorded directly in the equity. The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts. The sum of the variations recorded in the "accumulated other comprehensive income" caption of the equity and the profit for the year represents the "Total income and expenses".
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Tangible book value	Tangible Book Value represents the tangible equity's value for the shareholders as it does not include the intangible assets and the minority interests (non-controlling interests). It is calculated by discounting intangible assets, that is, goodwill and the rest of consolidated intangibles recorded under the public balance sheet (goodwill and intangible assets of companies accounted for by the equity method or companies classified as non-current assets for sale are not subtracted).It is also shown as ex-dividends.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. a. VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. b. 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.
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.

KPMG

Audit Report on Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries

(Together with the consolidated financial statements and consolidated management report of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries for the year ended 31 December 2021)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.

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 the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group"), which comprise the consolidated balance sheet at 31 December 2021, the consolidated income statement, consolidated statement of recognized income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2021, 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 of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts 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 regarding independence, that are relevant to our audit of the consolidated financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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 opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers
See notes 7.2 and 14.1 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers presents a net balance of Euros 318,939 million at 31 December 2021, and the impairment provisions recognized at that date amount to Euros 11,116 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (stage 1, 2 or 3) 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). For the Group, establishing this classification is a relevant process as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgment as this is a subjective and complex estimate. Individual allowances and provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective allowances and provisions, expected credit losses are estimated by means of internal models that use large databases, different macroeconomic scenarios, provision estimation parameters, segmentation criteria and automated processes. Such models are complex in their design and implementation and require past, present and future information to be considered. The Group periodically recalibrates and performs contrast tests on its internal models with a view to improving their predictive power on the basis of actual past experience.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default (EAD), probability of default (PD) and loss given default (LGD); determining the future macroeconomic variables; and considering the quantitative and qualitative criteria used to adjust collective allowances and provisions. We also assessed the mathematical accuracy of the expected loss calculations. The main procedures performed included evaluating the design and operating effectiveness of the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, to which end we brought in our credit risk specialists. Our procedures related to the control environment focused on assessing the main controls in the following key areas: • Development and approval of the credit risk management framework, the Group's accounting policies and the methodology used to estimate expected loss. • Assessment of whether the portfolio of loans and advances to customers has been appropriately classified on the basis of credit risk, in accordance with the criteria defined by the Group, particularly as regards the correct identification and classification of refinancing and restructuring transactions. • Identification of the methods and assumptions used to estimate EAD, PD and LGD and to determine the future macroeconomic variables, considering the expected impacts of COVID-19. • Evaluation of the functioning of the internal models for estimating both individual and collective allowances and provisions for expected losses, and of the management and valuation of collateral.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<table>
<tr><th colspan="2">Impairment of loans and advances to customers
See notes 7.2 and 14.1 to the consolidated financial statements</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The COVID-19 pandemic continues to have a negative effect on the economy and business activities of the countries where the Group operates. To mitigate the impacts of COVID-19, the governments of the different countries continue to roll out initiatives to support the most affected sectors and customers through various measures related with the granting of State-backed credit facilities, penalty-free payment deferrals (moratoriums) and flexible financing and liquidity facilities. All of these aspects impacted on the parameters considered by the Group at 31 December 2021 when quantifying expected losses on financial assets (macroeconomic variables, customer net revenues, value of pledged collateral, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Group has therefore recognized the adverse effects of COVID-19 on the impairment of financial assets at 31 December 2021 by supplementing the expected losses with certain additional temporary adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors and portfolios, which might not be identified in the general process.

The consideration of this matter as a key audit matter is based both on the significance for the Group of the loans and advances to customers portfolio, and thus of the related allowance and provision, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses, while also taking into consideration the situation brought about by the COVID-19 pandemic.</td><td>• Evaluation of the need to make additional adjustments to the expected losses identified in the general process and, where applicable, whether these have been appropriately estimated at 31 December 2021.

• Assessment of whether the aspects observed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective allowances and provisions have been taken into consideration.

• Assessment of the integrity, accuracy and updating of the data used.

Our tests of detail on the estimated expected losses included the following:

• With regard to the impairment of individually significant transactions, we assessed the suitability of the cash flow discounting models used by the Group. We also selected a sample from the credit-impaired significant risk population, for which we evaluated the appropriateness of the allowance and provision recognized by analyzing the reasonableness of the projected cash flows, the discount rates applied and the value of any related collateral. This sample included borrowers from the economic sectors most affected by COVID-19 and/or which have received government aid in relation to the pandemic.

• With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessed the integrity and accuracy of the input data for the process, and determined whether the calculation engine is functioning correctly by running the calculation process again for a sample of contracts, considering the segmentation and assumptions used by the Group.

• When performing our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the parameters for calculating the expected loss. To this end, we brought in our corporate business valuation specialists to assess the macroeconomic variables used by the Group in its internal models to estimate the expected loss. In addition, we assessed the estimate of the additional adjustments to the expected losses identified in the general process, recognized at 31 December 2021.

We also analyzed whether the disclosures in the notes to the consolidated financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.</td></tr>
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Fair value measurement of financial instruments See notes 8.1 and 10.1 to the consolidated financial statements	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2021, the Group has financial assets and financial liabilities held for trading amounting to Euros 123,493 million and Euros 91,135 million, respectively, of which Euros 91,122 million and Euros 64,920 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (therefore classified as level 2 or 3 for measurement purposes). In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models that require a high degree of subjectivity, which has in turn increased due to the situation arising from the COVID-19 pandemic. We have therefore considered the estimate of fair value using these measurement methods as a key audit matter.	Our audit procedures with regard to the fair value measurement of financial instruments focused on assessing the models and valuation methods used by the Group to estimate the fair value of complex financial instruments (those classified in level 2 or 3). To this end, we performed tests of controls and tests of detail on the Group's estimates, with the involvement of our own financial instrument valuation specialists. Our procedures relating to the assessment of the design and operating effectiveness of the relevant controls associated with the process of measuring financial instruments focused on the following key areas: • Identification and approval of the risk management framework and controls relating to operations in the financial markets in which the Group operates. • Evaluation of the application of the Group's accounting policies. • Examination of the key controls associated with the process of measuring financial instruments. • Analysis of the integrity, accuracy and updating of the data used 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. • We selected a sample of complex financial instruments measured at fair value, for which we assessed the correctness of their classification for measurement purposes, the appropriateness of the valuation criteria applied and the reasonableness of their valuation by contrasting this with a valuation performed independently by our specialists. Lastly, we analyzed whether the information disclosed in the notes to the consolidated financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Group.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to different countries, as well as local data processing centers, such as those in Turkey and Argentina. 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 ensure appropriate coordination and standardization in the management of technological risks that could impact on information systems in key areas such as data and program security, systems operations, and development and maintenance of the applications and IT systems used to prepare the financial information. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, in the following areas: • Understanding of the information flows and identification of the key controls that ensure the processing of information in each Group entity considered relevant for audit purposes. • Testing of the key automated processes used in generating the financial information. • Testing of application and system controls related with access to and processing of the information and with the security settings of those applications and systems. • Testing of controls over the operation, maintenance and development of applications and systems. • Aggregation and analysis of deficiencies identified and monitoring of the improvement measures undertaken by the entities at both local and Group level.

Other Information: Consolidated Management Report

Other information solely comprises the 2021 consolidated management report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated Non-Financial Information Statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated management report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

Responsibility of the Bank's Directors and Audit Committee for the Consolidated Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting 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 Bank's Directors 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 Bank's Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Bank's Audit Committee is responsible for overseeing the preparation and presentation of the consolidated financial statements.

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 legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgment 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.

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- 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 the Bank's Directors.
- Conclude on the appropriateness of the Bank's 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 a true and fair view.
- 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 Bank's Audit Committee 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 Bank's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them concerning all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2021 and which 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.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries for 2021 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated financial statements for the aforementioned year and the XBRL files tagged by the Bank, which will form part of the annual financial report.

The Directors of Banco Bilbao Vizcaya Argentaria, S.A. are responsible for the presentation of the 2021 annual report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Bank, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated financial statements included in the aforementioned digital files fully corresponds to the consolidated financial statements 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 requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated financial statements, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Bank's Audit Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit Committee dated 8 February 2022.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 20 April 2021 for a period of one year, from the year commenced 1 January 2021.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the financial statements since the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(*Signed on original in Spanish*)

Luis Martín Riaño
On the Spanish Official Register of Auditors ("ROAC") with No. 18,537

11 February 2022