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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2021 and 2020

ASSETS (Millions of Euros)	Notes	2021	2020 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**7**	**38,821**	**44,107**
FINANCIAL ASSETS HELD FOR TRADING	**8**	**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	**9**	**437**	**409**
Equity instruments		172	183
Debt securities		125	142
Loans and advances to customers		140	84
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**—**	**—**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**11**	**28,205**	**37,528**
Equity instruments		1,103	881
Debt securities		27,102	36,648
FINANCIAL ASSETS AT AMORTIZED COST	**12**	**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	**13**	**841**	**1,011**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**5**	**51**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**14**	**17,504**	**18,380**
Subsidiaries		17,226	17,547
Joint ventures		54	54
Associates		225	780
TANGIBLE ASSETS	**15**	**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	**16**	**841**	**840**
Goodwill		—	—
Other intangible assets		841	840
TAX ASSETS	**17**	**12,294**	**12,764**
Current tax assets		546	633
Deferred tax assets		11,748	12,131
OTHER ASSETS	**18**	**2,296**	**2,837**
Insurance contracts linked to pensions	22	1,882	2,074
Inventories		—	—
Other		414	763
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**19**	**885**	**9,978**
TOTAL ASSETS		**442,279**	**443,032**

(*) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the balance sheets as of December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2021 and 2020

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2021	2020 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**8**	**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	**10**	**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	**20**	**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	**13**	**2,126**	**1,510**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**—**	**—**
PROVISIONS	**21**	**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	**17**	**999**	**1,071**
Current tax liabilities		187	173
Deferred tax liabilities		812	898
OTHER LIABILITIES	**18**	**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 (see Note 1.3).

The Notes and Appendices are an integral part of the balance sheet as of December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2021 and 2020

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	2021	2020 (*)
STOCKHOLDERS' FUNDS		**32,296**	**33,992**
Capital	**23**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		—	—
Share premium	**24**	**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	**25**	**6,436**	**8,859**
Revaluation reserves	**25**	**—**	**—**
Other reserves	**25**	**(1,026)**	**31**
Less: treasury shares	**26**	**(574)**	**(9)**
Profit or loss attributable to owners of the parent		**1,080**	**(2,182)**
Less: interim dividends	**3**	**(533)**	**—**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**27**	**(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	11	(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	11	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)	Notes	2021	2020 (*)
Loan commitments given	29	89,353	80,959
Financial guarantees given	29	11,662	8,745
Other commitments given	29	24,181	25,711

(*) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the balance sheet as of December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Income statements for the years ended December 31, 2021 and 2020.

INCOME STATEMENTS (Millions of Euros)	Notes	2021	2020 (*)
Interest income	33	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	33	(861)	(1,115)
NET INTEREST INCOME		**3,428**	**3,514**
Dividend income	34	1,808	1,360
Fee and commission income	35	2,515	2,125
Fee and commission expense	36	(463)	(358)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	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	37	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	37	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	37	45	(69)
Gains (losses) from hedge accounting, net	37	(36)	13
Exchange differences, net	37	56	(29)
Other operating income	38	170	142
Other operating expense	38	(546)	(529)
GROSS INCOME		**7,470**	**6,637**
Administrative expense	39	(3,693)	(3,553)
Personnel expense		(2,237)	(2,144)
Other administrative expense		(1,456)	(1,409)
Depreciation and amortization	40	(639)	(663)
Provisions or reversal of provisions	41	(950)	(475)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(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	43	(911)	(319)
Impairment or reversal of impairment on non-financial assets	44	(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	45	107	(43)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**746**	**249**
Tax expense or income related to profit or loss from continuing operations	17	58	(36)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**803**	**213**
Profit (loss) after tax from discontinued operations	14	277	(2,396)
PROFIT (LOSS) FOR THE YEAR		**1,080**	**(2,182)**

(*) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the income statement for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognized income and expense for the years ended December 31, 2021 and 2020.

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
Other valuation adjustments	—	—
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]	**—**	**—**
Foreign currency translation	**—**	**—**
Translation 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]	**—**	**—**
Valuation gains (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
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 (see Note 1.3).

The Notes and Appendices are an integral part of the statement of recognized income and expense for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2021 and 2020.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2021	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	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**

The Notes and Appendices are an integral part of the statement of changes in equity for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2021 and 2020 (continued)

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2020 (*)	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	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 (see Note 1.3).

The Notes and Appendices are an integral part of the statement of changes in equity for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2021 and 2020.

CASH FLOWS STATEMENTS (Millions of Euros)	Notes	2021	2020 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	**46**	**(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)	**46**	**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)	—
Held-to-maturity investments		—	—
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)	**46**	**(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)	**46**	**38,821**	**44,107**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)	Notes	2021	2020 (*)
Cash	7	830	972
Balance of cash equivalent in central banks	7	36,566	40,485
Other financial assets	7	1,424	2,650
Less: Bank overdraft refundable on demand		0	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**38,821**	**44,107**

(*) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the statement of cash flows for the year ended December 31, 2021.

BBVA

Notes to the accompanying Financial Statements for the year ended December 31, 2021.

1. Introduction, basis for the presentation of the 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 website (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 the Consolidated Financial Statements.

The Bank's Financial Statements for the year ended December 31, 2020 were approved by the shareholders at the Bank's Annual General Meeting ("AGM") held on April 20, 2021.

The Bank's Financial Statements for the year ended December 31, 2021 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 Financial Statements

The Bank's Financial Statements for 2021 are presented incompliance with Bank of Spain Circular 4/2017, dated November 27, and as amended thereafter (in the following, "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 aforementioned Circular 4/2017 constitutes the development and adaptation to the Spanish credit institutions sector of the International Financial Reporting Standards adopted by the European Union (IFRS-EU) in accordance with the provisions of Regulation 1606/2002 of the Parliament and Council regarding the application of these rules.

The Bank's Financial Statements for the year ended December 31, 2021 were prepared by the Bank's directors (at the Board of Directors meeting held on February 9, 2022) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank's equity and financial position as of December 31, 2021, together with the results of its operations and cash flows generated during the year ended on that date.

All effective accounting standards and valuation criteria with a significant effect in the Financial Statements were applied in their preparation.

The amounts reflected in the accompanying 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 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 comparative information included in the accompanying financial statements for the year ended December 31, 2020 has been subject of certain no significant modifications with the purpose of a better comparability with the 2021 year figures.

Sale of BBVA's U.S. subsidiary

As mentioned in Note 14, 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.

As required by Standard 34 of Circular 4/2017 and 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 in 2020 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 balance sheet as of December 31, 2020

The balances of the headings “dividend Income” and “Impairment or reversal of impairment of investments in subsidiaries, joint ventures or associates”, net of their corresponding tax effects, corresponding to the companies for sale were reclassified under the heading “Profit (loss) after tax from discontinued operations” of the accompanying profit and loss account.

(Reverse) Repurchase Agreements Recognition (o Record of acquisition and temporary assignment of assets)

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 Bank 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 BBVA 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. BBVA continuously monitors these changes and their impacts on the business.

The main impacts of COVID-19 pandemic in the BBVA S.A. 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 5.1 details the main risks associated with the pandemic as well as information on its evolution and its impact in the macroeconomic forecasts.
- Note 5.2 includes information related to the initiatives carried out by the Bank 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 Bank. Additionally, the measures applied to the treatment of forward looking information used in the calculation of expected losses are detailed.
- Note 5.5 presents information regarding the impact on liquidity and funding risk.
- Note 14 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 42 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 Bank's Financial Statements is the responsibility of the Bank’s Directors.

Estimates were required to be made at times when preparing these 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 5,10, 11 and 12).
- The assumptions used to quantify certain provisions (see Note 21) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 22).
- The useful life and impairment losses of tangible and intangible assets (see Notes, 15, 16 and 19).
- The fair value of certain unlisted financial assets and liabilities in organized markets (see Notes 5, 6, 8, 9, 10, and 11).
- The recoverability of deferred tax assets (see Note 17).

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 of 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 financial statements.

During 2021 there were no significant changes to the estimations made as of December 31, 2020, different from the ones indicated in these Financial Statements.

1.7. Control of the BBVA 's Financial Reporting

The description of BBVA Internal Control over Financial Reporting model is described in the management report accompanying the consolidated Financial Statements for 2021.

1.8. Deposit guarantee fund and Resolution fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). The expense incurred by the contributions made to this Agency and other similar to those that are subject certain foreign branches in 2021 and 2020 amounted to €211 and €216 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statements (see Note 38).

The contributions made to the single European resolution fund in the years 2021 and 2020 have amounted to €194 and €166 million euros respectively (see Note 38).

1.9. Consolidated Financial Statements

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2021 have been prepared by the Group's Directors (at the Board of Directors meeting held on February 9, 2022) 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 adopted by the European Union (in the following "EU-IFRS") and applicable at the close of 2021, taking into account Bank of Spain Circular 4/2017, and with any other legislation governing financial reporting which are applicable and with the format and markup requirements established in the EU Delegated Regulation 2019/815 of the European Commission

The management of the Group's operations is carried out on a consolidated basis, independently of the individual allocation of the corresponding equity changes and their related results. Consequently, the Bank's annual Financial Statements have to be considered within the context of the Group, due to the fact that they do not reflect the financial and equity changes that result from the application of the consolidation policies (full consolidation or proportionate consolidation methods) or the equity method.

These changes are reflected in the Consolidated Financial Statements of the BBVA Group for the year 2021, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's Consolidated Financial Statements. In accordance with the content of these Consolidated Financial Statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2021 amounted to €662,885 million and €48,760 million, respectively, while the consolidated net profit attributed to the parent company of this period amounted to €4,653 million.

2. Accounting policies and valuation criteria applied

The Glossary includes the definition of some of the financial and economic terms used in Note 2 and subsequent Notes.

The accounting standards and policies and valuation criteria used in preparing these financial statements are as follows:

2.1 Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities controlled by the Group (for definition of control, see Glossary).

Associates are entities in which the Group is able to exercise significant influence (for definition of significant influence, see Glossary).

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).

Valuation and impairment

Investments in the equity of group companies, joint ventures and associates are initially measured at cost, which is since the fair value of the consideration given plus directly attributable transaction costs. Subsequently, these investments are valued at cost less, if applicable, the accumulated amount of impairment adjustments.

At least at year-end, and whenever there is objective evidence that the carrying value may not be recoverable, the corresponding impairment test is performed to quantify the possible valuation adjustment. This valuation adjustment is calculated as the difference between the book value and the recoverable amount, the latter being understood as the higher of its fair value at that time, less costs to sell, and the value in use of the investment. Impairment losses and, if applicable, their reversal, are recorded as an expense or income, respectively, in the income statement. The reversal of an impairment will be limited to the carrying amount of the investment that would be recognized at the date of reversal if the impairment had not been recorded.

2.2 Financial instruments

Circular 4/2017 became effective as of January 1, 2018 and replace IAS 39 regarding the classification and measurement of financial assets and liabilities, the, impairment of financial assets and hedge accounting, . However, the Bank has chosen to continue applying IAS39 for accounting for hedges as permitted by the Circular itself.

2.2.1 Classification and measurement of financial assets

Classification of financial assets

Circular 4/2017 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 Bank manages groups of financial assets and does not depend on the intention for an individual instrument.

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 Bank 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 Bank 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 BBVA 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 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 acquisition or 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 income and other similar income" or "Interest expense", of the income statement of the year in which the accrual occurred (see Note 33), except in the case of 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” the Bank classifies financial assets 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 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 income statement (see Note 37). Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading “Exchange differences, net” in the profit or loss account (Note 37).

”Financial assets at fair value through other comprehensive income”

- Debt instruments

Assets recognized under this heading in the 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 balance sheets (see Note 27).

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 Bank's equity until the corresponding asset is derecognized from the 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 37).

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 net –gains by modification- Financial assets at fair value through other comprehensive income” in the income statements for that year (see Note 42). Interest income on these instruments is recorded in the profit and loss account (see Note 33).Changes in foreign exchange rates are recognized under the heading “Exchange differences, net" in the accompanying income statement (see Note 37).

- 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 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 27). Dividends received from these investments are recorded in the heading "Dividend income" in the income statement (see Note 34). 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 income statement for such year (see Note 42).

2.2.2 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 Bank’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 Bank 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 income statement for the year in which the accrual occurred (see Note 33), 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 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 income statements (see Note 37). 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” (see Note 27), 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 income statements (see Note 37).

“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, BBVA 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.

2.2.3 “Derivatives-Hedge Accounting” and “Fair value changes of the hedged items in portfolio hedges of interest-rate risk”

BBVA uses financial derivatives as a tool for managing financial risks, mainly interest rates and exchange rates (see Note 5).

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 income statement (see Note 37), 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 Bank) for which the valuation changes are recognized under the headings “Interest and other income” or “Interest expense”, as appropriate, in the accompanying income statement (see Note 33).

- 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 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 income statement (in both cases under the heading “Gains (losses) from hedge accounting, net” (see Note 37), using, as a corresponding offset, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the 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 balance sheets, with a corresponding offset under the heading "Hedging derivatives" of the Assets or Liabilities of the balance sheets as applicable. These differences are recognized under the heading "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 Bank 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 income statement ((see Note 33).

– 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 income statement (see Note 37).

– 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 balance sheets with a corresponding offset entry under the heading "Hedging derivatives" of the Assets or Liabilities of the balance sheets as applicable. These differences in valuation are recognized in the income statement when the investment in a foreign operation is disposed of or derecognized (see Note 37).

2.2.4 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 Bank 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 Bank for internal credit risk management, which is also the definition used for regulatory purposes. In 2021 the Bank 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.

1) 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. 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 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 Bank 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 Appendix XII for more details)

- 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 Bank 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 5.2.1):

a. Quantitative criterion: the Bank 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 5.2.1).

b. Qualitative criterion: most indicators for detecting significant risk increase are included in the Bank's systems through rating and scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Bank 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:

- More than 30 days past due. According to Circular 4/2017, 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 Bank has not considered periods higher than 30 days.

- 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.

- 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 is still exist.

Although the standard introduces a series of operational simplifications, also known as practical solutions for analyzing the increase in significant risk, the Bank 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

In accordance with Circular 4/2017, 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 5.2.1):

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 5.2.1):

- 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 BBVA, the calculated expected credit losses are based on internal models developed for all portfolios within the scope of Circular 4/201, 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

Circular 4/2017 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss losses, 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, BBVA 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 BBVA 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 Bank'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 are the Gross Domestic Product (GDP), the real estate price index, interest rates, and the unemployment rate The main goal of the Bank's approach is seeking the greatest predictive capacity with respect to the first two variables (see Note 5.2.1).

2.2.5 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 balance sheet when the cash flows that they generate are extinguished, or when their implicit risks and benefits have been substantially transferred to third parties, 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 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 balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

The Bank 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/or benefits associated with the transferred financial asset are retained:

- The transferred financial asset is not derecognized from the 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.

In the specific case of securitizations, this liability is recognized under the heading “Financial liabilities at amortized cost – Customer deposits” in the balance sheets (see Note 20). As these liabilities do not constitute a current obligation, when measuring such a financial liability the Bank deducts those financial instruments owned by it which constitute financing for the entity to which the financial assets have been transferred, to the extent that these instruments are deemed specifically to finance the transferred assets.

The criteria followed with respect to the most common transactions of this type made by the Bank are as follows:

- Purchase and sale commitments: Financial instruments sold with a repurchase agreement are not derecognized from the balance sheets and the amount received from the sale is considered to be financing from third parties.

– Financial instruments acquired with an agreement to subsequently resell them are not recognized in the balance sheets and the amount paid for the purchase is considered to be credit given to third parties.

– Securitization: The Bank has applied the most stringent criteria for determining whether or not it retains substantially all the risk and rewards on such assets for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the securitized assets from the balance sheets (see Note 12 and Appendix VI), as the Bank retains substantially all the expected credit risks and possible changes in net cash flows, while retaining the subordinated loans and lines of credit extended to these securitization funds.

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 Bank. The Bank has established the synthetic securitizations through received financial guarantees. As for the commissions paid, they are accrued during the term of the financial guarantee

2.3 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 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 Bank simultaneously recognizes a corresponding asset in the 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 2.2.4).

The provisions recognized for financial guarantees are recognized under the heading “Provisions - Provisions for contingent risks and commitments” on the liability side in the balance sheets (see Note 21). These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions or reversal of provision” in the income statements (see Note 41).

Income from financial guarantees is recorded under the heading “Fee and commission income” in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 35).

Synthetic securitizations made by the Bank 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.

2.4 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 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 Bank can be classified as held for sale (see Note 19).

Symmetrically, the heading “Liabilities included in disposal groups classified as held for sale” in the balance sheet reflects the balances payable arising from disposal groups and discontinued operations.

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 Bank has decided to make continued use of those 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.

Fair value of non-current assets held for sale from foreclosures or recoveries is based mainly in appraisals or valuations made by independent experts on annual basis or more frequently, should there be indicators of impairment. The Bank applies the rule that these appraisals may not be older than one year, and their age is reduced if there is an indication of deterioration in the assets. The Bank mainly uses the services of the following valuation and appraisal companies. None of them is linked to the BBVA Group and all are entered in the official Bank of Spain register: Global Valuation S.A.U.; Tinsa, S.A.; ., Gesval, Sociedad de Tasación; , JLL Valoraciones, S.A., Sociedad de Tasación Tasvalor; Eurovaloraciones, S.A.

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 income statement (see Note 45). The remaining income and expense items associated with these assets and liabilities are classified within the relevant 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 income statement (see Note 1.3 and 14). This heading includes the earnings from their sale or other disposal (net of tax effects).

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 Bank and that it expects to hold for more than one year. It also includes tangible assets received by the Bank 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 2.16 "Leases".

Property, plant and equipment for own use are presented in the 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 15).

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 income statements under the heading "Depreciation and Amortization" (see Note 40) 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 Bank analyzes whether there are internal or external indicators that a tangible asset may be impaired. When there is evidence of impairment, the entity then 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 entities will estimate the recoverable amounts of the asset and recognize it in the 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 BBVA, most of the buildings held for own use are assigned to the different Cash-Generating-Units (CGU) to which they belong. The corresponding impairment analyzes are performed for these CGUs 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 income statements under the heading " Administration costs - Other administrative expense - Property, fixtures and materials " (see Note 39.2).

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 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 15).

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.

2.6 Intangible assets

Intangible assets in the financial statements of the Bank have a finite useful life.

The useful life of intangible assets is, at most, equal to the period during which the entity is entitled to use the asset; If the right of use is for a limited renewable period, the useful life includes the renewal period only when there is evidence that the renewal will be carried out without a significant cost (see Note 16).

When the useful life of intangible assets cannot be estimated reliably, they are amortized over a ten year period.

Intangible assets 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 depreciation charge for these assets is recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40).

The Bank recognizes any loss allowance on the carrying amount of these assets with charge to the heading “Impairment or reversal of impairment on non - financial assets- Intangible assets” in the accompanying income statements (see Note 44). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of loss allowances previously recognized, are similar to those used for tangible Assets.

2.7 Tax assets and liabilities

Expenses on corporate income tax applicable to the Bank are recognized in the 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 income statement.

Deferred tax assets and liabilities include temporary differences, defined as at 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 17).

The "Tax Assets" line item in the accompanying 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 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 Bank 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 Bank 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 combination), which also does not affect the fiscal outcome.

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 equity that do not increase or decrease taxable income are accounted for as temporary differences.

2.8 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the balance sheets includes amounts recognized to cover the Bank'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 21). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by the Bank 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 Bank will certainly be subject.

The provisions are recognized in the 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 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 (mentioned in section 2.9), 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 Bank. Contingent assets are not recognized in the balance sheet or in the income statement; however, they will be disclosed, should they exist, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits (see Note 30).

Contingent liabilities are possible obligations of the Bank 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 entity. They also include the existing obligations of the entity 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 balance sheet or the income statement (excluding contingent liabilities from business combinations) but are disclosed in the Notes to the Financial Statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.9 Post-employment and other employee benefit commitments

Below we provide a description of the most significant accounting policies relating to post-employment and other employee benefit commitments assumed by the Bank (see Note 22).

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 income statement (see Note 39.1).

Post-employment benefits – Defined-contribution plans

The Bank 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 the Bank are charged and recognized under the heading "Administration costs – Personnel expense – Defined-contribution plan expense" of the income statement (see Note 39.1).

Post-employment benefits – Defined-benefit plans

The Bank maintains 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, the Bank 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, the Bank provides 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” 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 financial statements (see Note 21).

Current service cost is charged and recognized under the heading “Administration costs – Personnel expense – Defined-benefit plan expense” of the income statement (see Note 39.1).

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 income statement. (see Note 33).

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 income statement (see Note 41).

Other long-term employee benefits

In addition to the above commitments, the Bank provides 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 balance sheet (see Note 21).

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 Bank 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 income statement for the period in which they arise (see Note 41). 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 balance sheet (see Note 27).

2.10 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 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 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 income statement with the corresponding increase in equity.

2.11 Termination benefits

Termination benefits are recognized in the financial statements when the Bank 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..

2.12 Treasury shares

The value of common stock -basically, shares and derivatives on the Bank's shares held by itself that comply with the requirements to be recognized as equity instruments- is recognized as a decrease to net equity under the heading "Shareholders' funds – Treasury stock" in the balance sheets (see Note 26).

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 earning " in the balance sheet (see Note 25).

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 20.5 and 25).

2.13 Foreign-currency transactions

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".

Assets, liabilities and futures transactions

The assets and liabilities in foreign currencies, including those of branches abroad, and the unmatured hedging forward foreign currency purchase and sale transactions, are converted to euros at the average exchange rates on the Spanish spot currency market (or based on the price of the U.S. dollar on local markets for the currencies not listed on this market) at the end of each period, with the exception of:

- Non-current investments in securities denominated in foreign currencies and financed in euros or in a currency other than the investment currency, which are converted at historical exchange rates.

- Unmatured non-hedging forward foreign currency purchase and sale transactions, which are converted at the exchange rates on the forward currency market at the end of each period as published by the Bank of Spain for this purpose.

The exchange differences produced when converting these balance in foreign-currency to the functional currency of the branches are generally recognized under the heading "Exchange differences, net" in the income statement. 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 reclassified to profit or loss - Fair value changes of equity instruments measured at fair value through other comprehensive income". (See note 27).

The breakdown of the main balances in foreign currencies as of December 31, 2021 and 2020, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

Structural currency positions

As a general policy, the Bank's investments in foreign subsidiaries and the endowment funds provided to branches abroad are financed in the same currency as the investment in order to eliminate the future currency risk arising from these transactions. However, the investments made in countries whose currencies do not have a market which permits the obtainment of unlimited, lasting and stable long-term financing are financed in another currency.

2.14 Recognition of income and expense

The most significant policies used by the Bank 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 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 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 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 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 act 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.

2.15 Sales of assets and income from the provision of non-financial services

The heading "Other operating income" in the income statement includes the proceeds of the sales of assets and income from the services provided by the Bank that are not financial institutions (see Note 38).

2.16 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 balance sheet (see Note 15) 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 balance sheet (see Note 20.5). 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 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 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 to the removal and dismantling of the underlying asset. The right to use assets recorded under this heading of the 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 income statements under the heading "Interest expense" (see note 33). Variable payments not included in the initial measurement of the lease liability are recorded under the heading "Administration costs – Other administrative expense" (see Note 39).

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 income statements under the heading "Depreciation and Amortization" (see Note 40).

When electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the balance sheets, payments related to the corresponding lease are recognized in the 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 38).

Operating lease and sublease incomes are recognized in the income statements under the headings "Other operating income" (see Note 38).

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 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 balance sheets (see Note 12).

When the 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 balance sheets (see Note 15). 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 income statement on a straight-line basis within "Other operating income" and "Other operating expense" (see Note 38)

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 income statement at the time of sale (only for the effectively transmitted part)

2.17 Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2017 and subsequent amendments. Accordingly, as of December 31, 2021 and 2020 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

2.18 Statements of recognized income and expense

The statements of recognized income and expense reflect the income and expenses generated each year. They distinguish between income and expense recognized as results in the income statements and "Accumulated other comprehensive income" (see Note 27) recognized directly in equity. "Accumulated other comprehensive income" include the changes that have taken place in the year in the "Accumulated other comprehensive income" broken down by item.

The sum of the changes to the heading "Accumulated other comprehensive income" of the total equity and the net income of the year forms the "Accumulated other comprehensive income".

2.19 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 "Accumulated other comprehensive income" (see Note 27), are included in the Bank's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.

2.20 Statements of cash flows

The indirect method has been used for the preparation of the statement of cash flows. This method starts from the Bank's net income and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and cash equivalents.

When preparing these financial statements the following definitions have been used:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities.
- Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities.
- Financing activities: Activities that result in changes in the size and composition of the Bank's equity and of liabilities that do not form part of operating activities.

2.21 Recent pronouncements

During the year 2021, Circular 6/2021 has come into force, modifying Circular 4/2017 in order to respond to various aspects both related to International Information Standards, and to align with the requirements of FINREP and the EBA between others.

During 2021, Circular 6/2021 has come into force, amending Circular 4/2017 with the aim of responding to various aspects both related to the project to reform benchmark indices, and to align with the requirements of FINREP and of the EBA among others.

Regarding the benchmark reform project, the accounting treatment of the contracts affected by this reform is simplified (Ibor Reform phase 2) in line with the changes already introduced in IFRS 9 and IFRS 7 by the IASB.

These modifications focus on accounting for financial instruments, once a new risk-free benchmark has been introduced (Risk Free Rate in its English meaning, hereinafter "RFR"). in such a way as to ensure that the financial statements reflect in the best possible way the economic effects of this reform.

The modifications introduce the practical simplification of accounting for the changes in the cash flows of financial instruments directly caused by the Ibor reform by updating the effective interest rate of the instrument if they take place in a context of "economic equivalence". Additionally, it introduces 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 in 2020) (See Note 13), the Phase 2 amendments do not provide for exceptions to the valuation requirements applicable to hedged items and hedging instruments. Thus, once the new benchmark has been implemented, the hedged items and hedging instruments must be valued according to the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in the income statement.

The transition from Ibor to RFR is considered a complex initiative, which affects BBVA, S.A. in different lines of business, as well as in a multitude of products, systems and processes. The main risks to which the Bank is exposed due to the transition are; (1) risk of litigation related to the products and services offered by the Bank; (2) legal risks derived from changes in the documentation required for existing operations; (3) financial and accounting risks, derived from market risk models and from the valuation, coverage, cancellation and recognition of financial instruments associated with benchmark indices; (4) price risk, derived from how changes in the indices could impact the pricing mechanisms of certain instruments; (5) operational risks, since the reform may require changes to the Bank's computer systems, business reporting infrastructure, operational processes and controls, and (6) behavioral risks derived from the potential impact of communications with clients during the transition period, which could lead to customer complaints, regulatory penalties or reputational impact.

This transition project has taken into account the different approaches and transition periods to the new RFRs when evaluating the various risks associated with the transition, as well as to define the lines of action in order to mitigate them. BBVA is aligned with the Good Practices issued by the ECB that outline how banks can better structure their governance, identify related risks and create contingent action plans and documentation in relation to the transition of reference rates. The Bank has defined a robust governance structure with direct supervision from senior management. The coordination between the different work groups is carried out through the Project Management Office (PMO) and the Global Working Groups that have a transversal vision in the areas of Legal, Risks, Regulatory, Finance and Accounting and Engineering.

During the year 2021 BBVA, S.A. has worked on modifying its contracts referenced to EONIA and LIBOR exUSD CHF, GBP, JPY and USD (for terms of one week and two months) to the corresponding RFRs. As of December 2021, the Bank continues to maintain financial assets and liabilities whose contracts are referenced to Ibor rates, mainly to Euribor (whose disappearance, as we explain below, is not foreseen today) and Libor USD, when used, among others, for loans, deposits and Debt issues as well as underlying derivative financial instruments.

In the case of EONIA, in 2021 BBVA SA carried out a novation of most of the contracts expiring after 2021, migrated the balances against clearing houses and renegotiated collateral contracts, substituting that index for the € STR. In the case of EURIBOR, the European authorities have promoted modifications in its methodology so that it complies with 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 December 31, 2021. However, the Financial Conduct Authority (FCA) and the European Commission establish 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. Instead, the European Commission, through what is known as the Statutory Fallback, provides a legal safeguard for EONIA contracts and for LIBOR CHF (which will come into force on January 1, 2022), so that in the contracts subject to this measure, said indices are automatically replaced and by legal imperative, 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, in a very residual way, 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 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) that have not yet transitioned to 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	—	—	—	—	6,672
LIBOR ex USD & LIBOR USD 1W/2M with maturity > December 31, 2021	1,557	—	243	846	27,343
LIBOR USD with maturity > June 30, 2023	15,148	29	—	119	413,531
Total	**16,704**	**29**	**243**	**964**	**447,546**

It should be noted that all these exposures (with the exception of USD LIBOR for terms other than one week and two months) will transition effectively, and with the mechanisms described above, as of January 1, 2022, depending on the next interest rate fixes.

In relation to the individual reserved statements, these are modified to align them with the new FINREP framework (Commission Regulation 2021/451) that applies to the Consolidated Financial Statements. Specifically, it should be noted that the definition of doubtful that will be used for these States will be the definition of NPL established in article 47bis a) of the CRR. This amendment takes effect in 2022.

The Circular also introduces several modifications to Annex 9 of Circular 4/2017; On the one hand, the wording is aligned with the EBA criteria in relation to the calculation of the year for the exit of the refinanced operations of stage 3, the criteria on granting and monitoring of loans are eliminated, and the tables of the solutions are updated alternatives both for the collective estimation of the coverage of the loss due to credit risk and for the discounts on the reference value of the assets awarded or received in payment of debts (increase in percentages). The entry into force of these modifications is June 30, 2022.

Finally, the Circular updates the statistical data requirements of the Economic and Monetary Union (EMU) with entry into force in 2022.

3. Shareholder remuneration system

Cash Dividends in 2020

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 €1,067 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 24).

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 €533 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 51).

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 26). 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 51)

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

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

4. 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 of terms.

The calculation of earnings per share of BBVA is as follows:

Basic and Diluted Earnings per Share

	2021	2020
Numerator for basic and diluted earnings per share (millions of euros)		
Profit attributable to parent company	4,653	1,305
Adjustment: Additional Tier 1 securities (*)	(359)	(387)
Profit adjusted (millions of euros) (A)	**4,293**	**917**
Profit (loss) from continued operations (net of remuneration of Additional Tier 1 capital instruments)	4,014	2,646
Profit (loss) from discontinued operations (net of non-controlling interest) (B)	280	(1,729)
Denominator for basic earnings per share (number of shares outstanding)	**—**	**—**
Weighted average number of shares outstanding (**)	6,668	6,668
Average treasury shares	(12)	(13)
Share buyback program (***)	(255)	—
Adjusted number of shares - Basic earnings per share (C)	**6,401**	**6,655**
Adjusted number of shares - diluted earnings per share (D)	**6,401**	**6,655**
Earnings (losses) per share (****)	**0.67**	**0.14**
Basic earnings (losses) per share from continuing operations (Euros per share)A-B/C	0.63	0.40
Diluted earnings (losses) per share from continuing operations (Euros per share)A-B/D	0.63	0.40
Basic earnings (losses) per share from discontinued operations (Euros per share)B/C	0.04	(0.26)
Diluted earnings (losses) per share from discontinued operations (Euros per share)B/D	0.04	(0.26)

(*) Remuneration in the year related to contingent convertible securities, recognized in equity (see Note 20.4).

(**) 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 3)

(****) In 2021 and 2020 the weighted average number of shares outstanding was 6,668 million. The adjustment of additional Tier 1 securities amounted to €359 and €387 million in 2021 and 2020, respectively.

As of December 31, 2021 and 2020 there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings . coincide for the years ending on those dates.

5. Risk management

5.1 Risk factors

BBVA has processes in place for identifying risks and analyzing scenarios in order to enable 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 Bank's business. These risks are included in the following blocks:

- Risks 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.

5.2 Credit risk

Credit risk is the potential loss assumed by the Bank as a result of the failure by the Bank´s counterparties to meet their contractual obligations.

The general principles governing credit risk management in the BBVA 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 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 Bank level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the channels, procedures, structure and supervision.

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 the Bank, in which it has been possible to ensure the maintenance of the flow of funds required for the operation of the economy while rigorously analyzing and monitoring the credit quality of exposures.

COVID-19 support measures

Since the beginning of the pandemic, the Bank has 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. The deadline for applying for these measures has expired.

Deferrals were both legislative (covered by Royal Decree Laws 8/2020 and 11/2020) and non-legislative (based on the sector agreement promoted by the Spanish Banking Association), aimed at mitigating the effects of COVID-19 and deferring the payment of principal and/or interest, while maintaining the original contracts.

Deferrals have been covered mainly 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.

With regard to new financing with public guarantee, BBVA's involvement in the following is noteworthy:

- 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.

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 Bank 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 (Millions of Euros)

	Payment deferral				Financing with public guarantees public guarantees			
	Existing	**Completed**	**Total**	**Number of customers**	**Total**	**Number of customers**	**Total payment deferral and guarantees**	**(%) credit investment**
December 2021	147	5,607	5,754	79,566	13,168	153,708	18,922	8.8%
December 2020	4,120	1,694	5,814	81,334	11,811	133,334	17,625	8.5%

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 Bank 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
BBVA, S.A.	**147**	**4,120**	**5,607**	**1,694**	**5,754**	**5,814**	**13,168**	**11,811**
Households	107	3,617	5,109	1,629	5,215	5,246	1,150	972
Of which: mortgages	*96*	*3,290*	*4,385*	*1,056*	*4,481*	*4,347*	*—*	*—*
SMEs	40	361	347	29	387	390	8,524	6,957
Non-financial corporations	—	138	138	22	138	160	3,477	3,870
Other	—	4	14	13	14	18	16	12

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

Amount of payment deferral by stages (Millions of Euros)

	Stage 1		Stage 2		Stage 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
BBVA, S.A.	**3,064**	**3,155**	**1,719**	**2,014**	**971**	**645**	**5,754**	**5,814**
Households	2,837	2,782	1,457	1,850	921	614	5,215	5,246
Of which: mortgages	*2,453*	*2,288*	*1,242*	*1,538*	*786*	*520*	*4,481*	*4,347*
SMEs	158	269	198	98	32	23	387	390
Non-financial corporations	67	100	53	53	18	8	138	160
Other	2	5	11	13	—	—	14	18

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 €15 million. During 2021, the amount recognized is was significant.

Regarding the classification of exposures according to their credit risk, the Bank has continued to apply NIIF 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 Bank 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.

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 BBVA 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 XII: "Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012".

5.2.1 Measurement of Expected Credit Loss

Bank of Spain Circular 4/2017 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 BBVA. Within this common framework, the necessary adaptations have been made to capture the particularities of BBVA S.A. The methodology, assumptions and observations 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 the applied norm, the Bank performed 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 Bank’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 BBVA, the expected losses calculated are based on the internal models developed for all the 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 Bank 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 Bank consists of continuously monitoring the risks to which it is exposed, which guarantees their proper classification in the different categories of the Standard. 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 Bank 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 Bank 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 warrant.

Additionally, the Bank 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 Bank has so-called Workout Committee, 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 Bank 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 2.1, the criteria for identifying the significant increase in risk are applied consistently, 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 Bank 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 Bank 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 5.2.4 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 methodology, and in accordance with the provisions of the standard and the EBA guidelines on credit risk management practices, BBVA 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: standard provides for a symmetric treatment both to identify the significant increase in risk and to identify that it has disappeared, so the thresholds also work to improve the credit classification of exposures. In this sense, it is expected that the cases in which the exhibitions that improve from stage 3 are directly classified into stage 1 will be minimal.

- The identification of the significant increase in risk from the comparison of the probabilities of default should be the main reason why exposures in stage 2 are recognized.

Specifically, a contract will be transferred to stage 2 when the following two conditions are met by comparing the current PD values and the origination PD values:

(current PD) / (Origination PD) - 1*100 >Relative Threshold (%) and

Current PD – Origination PD > Absolute threshold (bps)

These absolute and relative thresholds are consistently established for each portfolio, taking into account their particularities and based on the principles described. The thresholds are included within the annual review process and, generally speaking, are in the range of 30% to 200% for the relative threshold and from 50 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 the standard 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 Circular 4/2017 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.

The Bank 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

Bank of Spain Circular 4/2017 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 Bank, 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 Circular 4/2017.

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.

– The Bank 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 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, BBVA 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 Circular 4/2017. 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 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 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, BBVA took into account those recommendations in the calculation of the expected credit losses, 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:

Main BBVA, S.A. variables.

Date	GDP negative scenario	GDP base scenario	GDP positive scenario	HPI negative scenario	HPI base scenario	HPI positive scenario	Unemployment negative scenario	Unemployment base scenario	Unemployment positive scenario
2021	4.95%	5.23%	5.52%	(0.82)%	(0.20)%	0.33%	15.41%	14.93%	14.42%
2022	4.88%	5.49%	6.14%	1.31%	2.91%	4.70%	15.41%	13.98%	12.50%
2023	4.68%	4.89%	5.13%	1.09%	2.04%	3.06%	13.25%	11.68%	10.05%
2024	2.54%	2.59%	2.61%	0.99%	1.50%	1.87%	11.65%	10.08%	8.48%
2025	2.18%	2.22%	2.22%	0.35%	1.10%	1.56%	10.62%	9.05%	7.49%
2026	2.15%	2.19%	2.19%	(0.01)%	0.74%	1.19%	9.61%	8.15%	6.71%

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:

Main BBVA, S.A. variables.

Date	GDP negative scenario	GDP base scenario	GDP positive scenario	HPI negative scenario	HPI base scenario	HPI positive scenario	Unemployment negative scenario	Unemployment base scenario	Unemployment positive scenario
2020	(11.76)%	(11.48)%	(11.20)%	(2.60)%	(1.98)%	(1.44)%	17.44%	16.95 %	16.44%
2021	5.37%	5.99 %	6.63%	(6.69)%	(5.08)%	(3.28)%	18.94%	17.51 %	16.03%
2022	5.82%	6.04 %	6.27%	2.49%	3.48 %	4.56%	15.92%	14.35 %	12.72%
2023	2.88%	2.93 %	2.95%	4.94%	5.44 %	5.79%	13.99%	12.41 %	10.82%
2024	2.03%	2.07 %	2.07%	2.45%	3.20 %	3.66%	12.70%	11.14 %	9.58%
2025	1.97%	2.01 %	2.01%	2.36%	3.12 %	3.57%	11.45%	9.99 %	8.55%

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

GDP	Total Portfolio	Mortgages	Companies
-100pb	3.33%	4.03%	4.16%
+100pb	(3.06)%	(3.35)%	(3.97)%
Housing price			
-100pb		5.17%	0.78%
+100pb		(5.11)%	(0.77)%

Expected loss variation as of December 31, 2020

GDP	Total Portfolio	Mortgages	Companies
-100pb	3.72%	4.39%	3.96%
+100pb	(3.32)%	(3.57)%	(3.53)%
Housing price			
-100pb		5.41%	0.79%
+100pb		(5.35)%	(0.77)%

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. As of December 31, 2021 and 2020 there were €226 and €223 million in Spain.

5.2.2 Credit risk exposure

BBVA's maximum credit risk exposure (see definition below) by headings in the balance sheets as of December 31, 2021 and 2020 is provided below. It does not consider the loss allowances, and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2021	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**77,002**			
Equity instruments	8	15,146			
Debt securities	8	11,546			
Government		*9,265*			
Credit institutions		*493*			
Other sectors		*1,788*			
Loans and advances	8	50,310			
Non-trading financial assets mandatorily at fair value through profit or loss		**437**			
Equity instruments	9	172			
Debt securities	9	125			
Government		*—*			
Credit institutions		*48*			
Other sectors		*77*			
Loans and advances to customers	9	140			
Financial assets designated at fair value through profit or loss	**10**	**—**			
Derivatives (trading and hedging) (*)		**34,288**			
Financial assets at fair value through other comprehensive income		**28,209**			
Equity instruments	11.2	1,103			
Debt securities		27,107	27,107	—	—
Government		*21,316*	*21,316*	*—*	*—*
Credit institutions		*1,295*	*1,295*	*—*	*—*
Other sectors		*4,496*	*4,496*	*—*	*—*
Financial assets at amortized cost		**236,539**	**207,009**	**21,391**	**8,139**
Debt securities		22,320	22,308	10	3
Loans and advances to central banks		254	254	—	—
Loans and advances to credit institutions		8,372	8,370	2	—
Loans and advances to customers		205,593	176,078	21,378	8,137
Total financial assets risk		**376,475**			
Total loan commitments and financial guarantees		**125,197**	**116,942**	**7,582**	**672**
Loan commitments given	29	89,353	84,611	4,633	109
Financial guarantees given	29	11,662	10,615	877	170
Other commitments given	29	24,181	21,716	2,072	393
Total maximum credit exposure		**501,672**			

(*) Without considering derivatives whose counterparty are BBVA Group companies.

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Maximum credit risk exposure (Millions of Euros)

	Notes	December 2020	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**48,752**			
Equity instruments	8	10,682			
Debt securities	8	9,983			
Government		*8,062*			
Credit institutions		*560*			
Other sectors		*1,361*			
Loans and advances	8	28,088			
Non-trading financial assets mandatorily at fair value through profit or loss		**409**			
Equity instruments	9	183			
Debt securities	9	142			
Government		*—*			
Credit institutions		*49*			
Other sectors		*93*			
Loans and advances to customers	9	84			
Financial assets designated at fair value through profit or loss	**10**	**—**			
Derivatives (trading and hedging) (*)		**15,761**			
Financial assets at fair value through other comprehensive income		**37,539**	**—**	**—**	**—**
Equity instruments	11.2	881			
Debt securities		36,659	36,659	—	—
Government		*30,053*	*30,053*	*—*	*—*
Credit institutions		*1,595*	*1,595*	*—*	*—*
Other sectors		*5,010*	*5,010*	*—*	*—*
Financial assets at amortized cost		**231,590**	**207,006**	**16,390**	**8,193**
Debt securities		23,253	23,247	5	1
Loans and advances to central banks		7	7	—	—
Loans and advances to credit institutions		8,763	8,762	—	—
Loans and advances to customers		199,568	174,990	16,385	8,193
Total financial assets risk		**334,052**			
Total loan commitments and financial guarantees		**115,415**	**110,379**	**4,474**	**562**
Loan commitments given	29	80,959	78,602	2,257	100
Financial guarantees given	29	8,745	8,006	582	156
Other commitments given	29	25,711	23,770	1,636	305
Total maximum credit exposure		**449,467**			

(*) Without considering derivatives whose counterparty are BBVA Group companies.

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 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 BBVA 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").

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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 and 2020 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	13,008	12,693	252	62	(34)	(11)	(4)	(19)	12,974	12,682	248	43
Other financial corporations	9,568	9,476	77	15	(14)	(3)	(4)	(7)	9,554	9,472	73	8
Non-financial corporations	85,430	69,071	12,872	3,487	(2,801)	(384)	(627)	(1,790)	82,629	68,687	12,245	1,697
Households	97,587	84,838	8,177	4,573	(2,405)	(280)	(300)	(1,826)	95,182	84,558	7,877	2,747
Loans and advances to customers (*)	**205,593**	**176,078**	**21,378**	**8,137**	**(5,254)**	**(679)**	**(934)**	**(3,641)**	**200,339**	**175,400**	**20,444**	**4,495**
Of which: individual					*(823)*	*—*	*(203)*	*(620)*				
Of which: collective					*(4,431)*	*(679)*	*(732)*	*(3,021)*				

(*) The amount of the accumulated impairment 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 remained balance was €266 million). These valuation adjustments are recognized in the 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				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	13,336	13,102	158	76	(41)	(10)	(7)	(25)	13,295	13,093	151	51
Other financial corporations	9,103	9,021	77	5	(16)	(5)	(6)	(5)	9,087	9,016	71	0
Non-financial corporations	79,943	67,810	8,455	3,678	(2,889)	(359)	(405)	(2,124)	77,054	67,451	8,049	1,554
Households	97,185	85,057	7,695	4,434	(2,719)	(335)	(444)	(1,941)	94,466	84,722	7,251	2,493
Loans and advances to customers (*)	**199,568**	**174,990**	**16,385**	**8,193**	**(5,665)**	**(708)**	**(862)**	**(4,094)**	**193,903**	**174,282**	**15,523**	**4,099**
Of which: individual					*(1,044)*	*—*	*(139)*	*(905)*				
Of which: collective					*(4,620)*	*(708)*	*(723)*	*(3,189)*				

(*) The amount of the accumulated impairment 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 remained balance was €363 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

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 and 2020 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	—	—	—	176	34	32	242	331
Credit card debt	—	—	—	1	119	2,358	2,478	2,624
Commercial debtors		783	16	468	14,543	24	15,834	16,024
Finance leases	—	88	—	12	4,738	201	5,039	5,207
Reverse repurchase loans	—	—	150	2	—	—	152	152
Other term loans	1	11,903	2,447	5,873	61,103	92,393	173,720	178,380
Advances that are not loans	252	340	5,759	3,022	2,092	175	11,640	11,640
LOANS AND ADVANCES	**254**	**13,114**	**8,371**	**9,554**	**82,629**	**95,182**	**209,104**	**214,359**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*279*	*—*	*179*	*9,141*	*74,524*	*84,123*	*85,835*
Of which: other collateralized loans	*—*	*—*	*152*	*26*	*1,230*	*485*	*1,893*	*2,159*
By purpose of the loan								
Of which: credit for consumption						*13,467*	*13,467*	*14,290*
Of which: lending for house purchase						*74,729*	*74,729*	*75,651*
By subordination								
Of which: project finance loans					*3,676*		*3,676*	*3,744*

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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	—	2	—	371	41	33	447	541
Credit card debt	—	—	—	—	92	2,083	2,175	2,319
Commercial debtors		894	—	303	11,406	23	12,626	12,819
Finance leases	—	86	—	3	4,427	216	4,731	4,886
Reverse repurchase loans	—	—	203	—	—	—	203	203
Other term loans	3	12,140	2,169	5,858	60,289	92,007	172,466	177,545
Advances that are not loans	4	258	6,390	2,553	799	105	10,108	10,109
Loans and advances	**7**	**13,379**	**8,762**	**9,087**	**77,054**	**94,466**	**202,756**	**208,421**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*318*	*—*	*156*	*9,571*	*75,181*	*85,227*	*87,252*
Of which: other collateralized loans		*—*	*—*	*25*	*1,576*	*535*	*2,136*	*2,245*
By purpose of the loan	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
Of which: credit for consumption						*12,149*	*12,149*	*12,987*
Of which: lending for house purchase						*75,166*	*75,166*	*76,386*
By subordination	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
Of which: project finance loans					*4,353*		*4,353*	*4,394*

5.2.3 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 Bank's exposure. The BBVA 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 Bank 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 BBVA:

- 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 Bank'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 BBVA's legal units.

The valuation of the collateral is taken into account in the calculation of the expected losses. The Bank 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 5.4.2

- 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 and 2020 BBVA had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 5.2.2).

- 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 5.2.5), by type of collateral, as of December 31, 2021 and 2020, is the following:

Impaired loans and advances at amortized cost covered by collateral (Millions of Euros)

	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
December 2021	8,137	1,933	787	2	4	7
December 2020	8,193	2,077	655	2	4	17

The maximum credit risk exposure of impaired financial guarantees and other commitments as of December 31, 2021 and 2020 amounts to €672 and €562 million of euros (see Note 5.2.2).

5.2.4 Credit quality of financial assets that are neither past due nor impaired

The BBVA 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 Bank 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 in order to facilitate a homogeneous classification of its different risk portfolios.

The table below shows the abridged scale used to classify the bank'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.

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The table below outlines the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of the main BBVA Group entities as of December 31, 2021 and 2020:

Credit Risk Distribution by Internal Rating

	2021		2020	
	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA	36,843	11.65 %	32,252	11.51 %
A	111,465	35.25 %	98,743	35.23 %
BBB+	54,557	17.25 %	39,325	14.03 %
BBB	35,243	11.14 %	34,816	12.42 %
BBB-	35,117	11.10 %	32,994	11.77 %
BB+	12,299	3.89 %	15,216	5.43 %
BB	9,184	2.90 %	7,931	2.83 %
BB-	6,879	2.18 %	7,569	2.70 %
B+	5,127	1.62 %	4,149	1.48 %
B	4,356	1.38 %	3,013	1.07 %
B-	2,819	0.89 %	2,033	0.73 %
CCC/CC	2,359	0.75 %	2,237	0.80 %
Total	**316,246**	**100%**	**280,276**	**100%**

5.2.5 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 and 2020 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	**254**	**—**	**—**	**—%**
General governments	**13,008**	**62**	**(34)**	**0.5%**
Credit institutions	**8,371**	**—**	**—**	**—%**
Other financial corporations	**9,568**	**15**	**(14)**	**0.2%**
Non-financial corporations	**85,430**	**3,487**	**(2,801)**	**4.1%**
Agriculture, forestry and fishing	1,638	73	(55)	4.5 %
Mining and quarrying	1,806	10	(10)	0.6 %
Manufacturing	18,987	553	(405)	2.9 %
Electricity, gas, steam and air conditioning supply	8,019	35	(46)	0.4 %
Water supply	730	17	(16)	2.4 %
Construction	6,419	607	(416)	9.5 %
Wholesale and retail trade	13,388	692	(525)	5.2 %
Transport and storage	5,218	186	(123)	3.6 %
Accommodation and food service activities	4,380	336	(205)	7.7 %
Information and communications	5,145	105	(44)	2.0 %
Financial and insurance activities	5,825	148	(141)	2.5 %
Real estate activities	5,427	335	(208)	6.2 %
Professional, scientific and technical activities	3,146	140	(108)	4.4 %
Administrative and support service activities	1,776	107	(70)	6.0 %
Public administration and defense, compulsory social security	171	3	(8)	1.8 %
Education	258	16	(11)	6.3 %
Human health services and social work activities	912	39	(26)	4.3 %
Arts, entertainment and recreation	729	66	(49)	9.0 %
Other services	1,456	19	(334)	1.3 %
Households	**97,587**	**4,573**	**(2,405)**	**4.7%**
LOANS AND ADVANCES	**214,218**	**8,137**	**(5,254)**	**3.8%**

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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	**7**	**—**	**—**	**—%**
General governments	**13,336**	**76**	**(41)**	**0.6%**
Credit institutions	**8,762**	**—**	**—**	**—%**
Other financial corporations	**9,103**	**5**	**(16)**	**0.1%**
Non-financial corporations	**79,943**	**3,678**	**(2,889)**	**4.6%**
Agriculture, forestry and fishing	1,409	71	(41)	5.0%
Mining and quarrying	1,956	8	(15)	0.4%
Manufacturing	17,807	636	(445)	3.6%
Electricity, gas, steam and air conditioning supply	6,909	45	(42)	0.7%
Water supply	842	17	(14)	2.0%
Construction	7,021	767	(563)	10.9%
Wholesale and retail trade	11,589	804	(536)	6.9%
Transport and storage	4,753	182	(88)	3.8%
Accommodation and food service activities	4,868	278	(156)	5.7%
Information and communications	4,401	61	(45)	1.4%
Financial and insurance activities	5,075	112	(106)	2.2%
Real estate activities	5,892	359	(221)	6.1%
Professional, scientific and technical activities	2,271	132	(83)	5.8%
Administrative and support service activities	2,245	81	(90)	3.6%
Public administration and defense, compulsory social security	73	3	(3)	4.3%
Education	235	11	(8)	4.7%
Human health services and social work activities	903	57	(43)	6.4%
Arts, entertainment and recreation	766	43	(28)	5.6%
Other services	927	11	(362)	1.2%
Households	**97,185**	**4,434**	**(2,719)**	**4.6%**
LOANS AND ADVANCES	**208,336**	**8,193**	**(5,665)**	**3.9%**

The changes during the years 2021 and 2020 of impaired financial assets and contingent risks are as follow:

Changes in impaired financial assets and contingent risks (Millions of Euros)

	2021	2020
Balance at the beginning	**8,654**	**9,053**
Additions	3,120	2,508
Decreases (*)	(2,290)	(2,190)
Net additions	**830**	**318**
Amounts written-off	(828)	(666)
Exchange differences and other	44	(51)
Balance at the end	**8,700**	**8,654**
Recoveries on entries (%)	**73%**	**87%**

(*) Reflects the total amount of impaired loans derecognized from the 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 (see Note 19).

The Bank estimates that the update in the definition of credit impairment (default) (see Note 2.2.4) led to an increase of €350 million in impaired financial assets. Regarding expected credit losses, the impact of this change is not likely 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 €475 million (€1,232 million for the year ended December 31, 2020) (see Note 42).

During 2021, three factors have contributed to lower impairment charges with respect 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, have lost momentum by the end of the year due to short-term pressures, likely to be temporary, in the supply chain and in 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 and 2020 in financial assets derecognized from the accompanying 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
Balance at the beginning		**17,297**	**17,042**
Increase		**1,351**	**1,000**
Assets of remote collectability		828	666
Past-due and not collected income		523	334
Decrease		**(1,704)**	**(737)**
Re-financing or restructuring		—	(6)
Cash recovery	42	(253)	(238)
Foreclosed assets		(18)	(20)
Sales (*)		(1,066)	—
Debt forgiveness		(243)	(416)
Time-barred debt and other causes		(124)	(57)
Net exchange differences		**7**	**(8)**
Balance at the end		**16,951**	**17,297**

(*) Includes principal and interest.

As indicated in Note 2.1.4, although they have been derecognized from the balance sheet, the BBVA 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.

5.2.6 Loss allowances

Movements, measured over a 12-month period, in gross accounting balances and accumulated allowances for loan losses during 2021 and 2020 are recorded on the accompanying balance sheet as of December 31, 2021 and 2020, 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	**183,760**	**16,385**	**8,193**	**208,338**
Transfers of financial assets:	(7,482)	6,296	1,186	—
Transfers from stage 1 to Stage 2	*(9,980)*	*9,980*	*—*	*—*
Transfers from stage 2 to Stage 1	*3,203*	*(3,203)*	*—*	*—*
Transfers to Stage 3	*(723)*	*(1,315)*	*2,038*	*—*
Transfers from Stage 3	*18*	*834*	*(852)*	*—*
Net annual origination of financial assets	7,655	(1,330)	(416)	5,909
Becoming write-offs	—	—	(828)	(828)
Changes in model / methodology	—	—	—	—
Foreign exchange	767	30	2	799
Modifications that do not result in derecognition	—	—	—	—
Other	—	—	—	—
Balance at the end	**184,700**	**21,381**	**8,137**	**214,218**

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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	**709**	**862**	**4,094**	**5,665**
Transfers of financial assets:	(7)	102	318	413
Transfers from stage 1 to stage 2	*(31)*	*231*	*—*	*200*
Transfers from stage 2 to stage 1	*30*	*(127)*	*—*	*(97)*
Transfers to stage 3	*(6)*	*(59)*	*521*	*456*
Transfers from stage 3	*—*	*57*	*(203)*	*(146)*
Net annual origination of allowances	114	83	(126)	71
Becoming write-offs	—	—	(642)	(642)
Changes in model / methodology	—	—	—	—
Foreign exchange	—	—	—	—
Modifications that do not result in derecognition	—	—	—	—
Other	(137)	(113)	(3)	(253)
Balance at the end	**679**	**934**	**3,641**	**5,254**

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	**185,965**	**14,609**	**8,589**	**209,163**
Transfers of financial assets:	(3,793)	2,800	993	—
Transfers from stage 1 to stage 2	*(5,970)*	*5,970*	*—*	*—*
Transfers from stage 2 to stage 1	*2,665*	*(2,665)*	*—*	*—*
Transfers to stage 3	*(537)*	*(1,077)*	*1,614*	*—*
Transfers from stage 3	*49*	*572*	*(621)*	*—*
Net annual origination of financial assets	2,358	(999)	(723)	636
Becoming write-offs	—	—	(666)	(666)
Changes in model / methodology	—	—	—	—
Foreign exchange	(770)	(25)	—	(795)
Modifications that do not result in derecognition	—	—	—	—
Other	—	—	—	—
Balance at the end	**183,760**	**16,385**	**8,193**	**208,338**

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	**668**	**681**	**3,942**	**5,291**
Transfers of financial assets:	(6)	97	380	471
Transfers from stage 1 to stage 2	*(16)*	*225*	*—*	*209*
Transfers from stage 2 to stage 1	*14*	*(110)*	*—*	*(96)*
Transfers to stage 3	*(4)*	*(52)*	*471*	*415*
Transfers from stage 3	*—*	*34*	*(91)*	*(57)*
Net annual origination of allowances	93	211	410	714
Becoming write-offs	—	—	(572)	(572)
Changes in model / methodology	—	—	—	—
Foreign exchange	—	—	—	—
Modifications that do not result in derecognition	—	—	—	—
Other	(46)	(127)	(66)	(239)
Balance at the end	**709**	**862**	**4,094**	**5,665**

5.3 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 BBVA, 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 Bank 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.

5.3.1 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 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 Bank.

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.

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, keeping the exposure to interest rates and credit spreads movements aligned with the strategy and the target risk profile of the Bank, 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 Bank, backed-up by assumptions that aim to characterize the behavioral 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 ran separately for each currency to which the Bank is exposed.

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 Bank.

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.

During 2021, central banks have begun to withdraw 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.

The BBVA 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, and is reflected in the strength and recurrence of the margin of interests:

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%.

5.3.2 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'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 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 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.

5.4 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 Bank'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 5.3).

5.4.1 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 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 Bank'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, 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.

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 Bank’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.

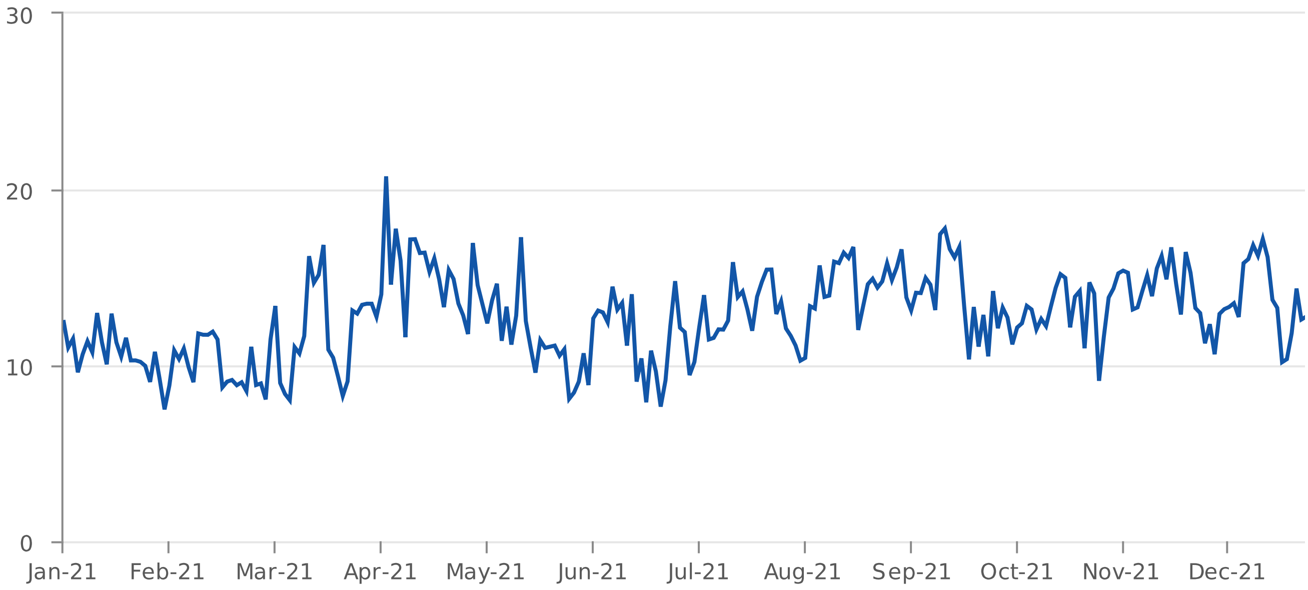
Validity tests are performed regularly on the risk measurement models used by the Bank. They estimate the maximum loss that could have been incurred in the assessed positions with a certain level of probability (backtesting), as well as measurements of the impact of extreme market events on risk positions (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

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

The Bank'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 market risk of trading book increase versus the previous year and, in terms of VaR, stood at €16 million at the close of the period.

The average VaR for 2021 stood at €13 million, in comparison with the €11 million registered in 2020, with a high for the year on April 7, 2021 at €21 million.



By type of market risk assumed by the Bank's trading portfolio, the main risk factor in BBVA at the end of 2021 is linked to the interest rates (this figure includes the spread risk) which represents a 40% of the total weight, decreasing its relative weight compared to the year end 2020 (44%). The risk related to volatility and correlation accounts for 27% of the total weight at the end of 2021, with no changes compared to the year end 2020 (27%).

Exchange-rate risk accounts for 20% which represents a decrease on the figure 12 months prior (27%), while equity risk has increased from 2%, at the end of 2020 to 13% at the end of 2021.

Market risk by risk factor (Millions of euros)

	2021	2020
Interest + credit spread	15	15
Exchange rate	7	9
Equity	5	1
Volatility	10	10
Diversification effect (*)	(23)	(22)
Total	**16**	**13**
Average VaR	**13**	**11**
Maximum VaR	**21**	**18**
Minimum VaR	**8**	**7**

(*) 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 BBVA S.A. 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 BBVA, S.A. is adequate and precise.

Two types of backtesting have been carried out in 2021 and 2020:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained, not taking into account the intraday results or the changes in the portfolio positions. This validates the appropriateness of the market risk metrics for the end-of-day position.

- "Real" backtesting: the daily VaR is compared with the total results, including intraday transactions, but discounting the possible minimum charges or fees involved. This type of backtesting includes the intraday risk in portfolios.

In addition, each of these two types of backtesting was carried out at a risk factor or business type level, thus making a deeper comparison of the results with respect to risk measurements.

For the period between the year ended December 31, 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 were one negative exception in BBVA S.A.

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 Bank.

Stress testing

A number of stress tests are carried out on the BBVA'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 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).

5.4.2 Financial instruments offset

Financial assets and liabilities may be netted in certain cases. In particular, they are presented for a net amount on the balance sheet only when the Bank satisfy the provisions of Bank of Spain Circular 4/2017 and 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 Bank has presented as gross amounts assets and liabilities on the 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.

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A summary of the effect of offsetting (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2021 and 2020:

Effect of offsetting for derivatives and securities operation (Millions of Euros)

	2021						2020					
				Gross amounts not offset in the balance sheets (D)						Gross amounts not offset in the balance sheets (D)		
	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)
Trading and hedging derivatives	32,841	3,611	29,230	21,947	8,442	(1,159)	43,245	5,688	37,557	29,368	8,286	(97)
Reverse repurchase, securities borrowing and similar agreements	49,939	—	49,939	50,045	—	(106)	27,681	—	27,681	27,927	161	(407)
Total assets	**82,780**	**3,611**	**79,169**	**71,993**	**8,442**	**(1,265)**	**70,926**	**5,688**	**65,238**	**57,295**	**8,446**	**(503)**
Trading and hedging derivatives	32,765	3,584	29,181	21,947	8,784	(1,551)	42,629	5,722	36,906	29,368	7,604	(65)
Repurchase, securities lending and similar agreements	41,089	—	41,089	40,548	5	536	26,327	—	26,327	26,611	1,619	(1,903)
Total liabilities	**73,854**	**3,584**	**70,270**	**62,495**	**8,789**	**(1,015)**	**68,955**	**5,722**	**63,233**	**55,979**	**9,223**	**(1,968)**

The amount of recognized financial instruments within derivatives includes the effect in case of compensation with counterparties with which the bank holds netting agreements, while, for repos, it reflects the market value of the collateral associated with the transaction.

5.5 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.

5.5.1 Liquidity and Funding Strategy and Planning

BBVA 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.

5.5.2 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 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 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 Bank 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 Bank has been configured as a single, global function, independent of the management areas

Additionally, the Bank 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 Bank'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. 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, 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 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 and provide an optimal funding structure reference in terms of risk appetite, the Structural Risks of GRM identifies and assesses the economic and financial variables that condition the funding structures.

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 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 BBVA. 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 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 the bank 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, 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, BBVA plans the target wholesale funding structure according to the tolerance set.

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 BBVA’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 at BBVA, 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.

The table below shows the liquidity available by instrument as of December 31, 2021 and 2020 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December (Millions of Euros)		
	BBVA S.A.	
	2021	**2020**
Cash and withdrawable central bank reserves	35,258	39,330
Level 1 tradable assets	37,272	48,858
Level 2A tradable assets	5,234	5,119
Level 2B tradable assets	9,492	6,080
Other tradable assets (*)	27,870	20,174
Non tradable assets eligible for central banks	—	—
Cumulated counterbalancing capacity	**115,127**	**119,560**

(*) The balance has been reexpressed including the available funding in the European Central Bank

The Net Stable Funding Ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, and requires 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 LCR, NSFR and LtSCD of BBVA at December 31, 2021, is 190%, 126% and 98%, respectively.

Below is a breakdown by contractual maturity of the balances of certain headings in the accompanying balance sheets, excluding any valuation adjustments or loss allowances:

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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	33,076	3,539	—	—	—	—	—	—	—	—	36,615
Deposits in credit entities	—	405	189	655	272	131	151	151	—	209	2,162
Deposits in other financial institutions	—	675	468	487	432	230	486	418	257	2,723	6,175
Reverse repo, securities borrowing and margin lending	—	30,076	11,611	2,945	1,063	1,482	2,188	2,239	1,118	739	53,462
Loans and advances	—	10,383	10,615	11,653	5,832	7,692	23,450	18,503	29,433	68,655	186,215
Securities' portfolio settlement	—	413	570	1,809	520	3,153	12,712	5,847	9,072	40,484	74,580

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	—	2,790	609	2,586	1,706	274	7,482	3,350	8,900	13,953	41,652
Deposits in financial institutions	1,477	3,828	134	19	3	4	117	41	36	562	6,221
Deposits in other financial institutions and international agencies	7,983	1,927	1,678	105	116	181	692	701	1,306	3,957	18,646
Customer deposits	184,999	7,094	5,785	2,486	828	649	781	139	378	221	203,360
Security pledge funding	—	41,633	6,449	2,369	1,492	8,188	29,429	4,274	956	1,331	96,120
Derivatives, net	—	20	(9)	(272)	(43)	(621)	231	(91)	(84)	(127)	(997)

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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	36,374	5,604	—	—	—	—	—	—	—	—	41,978
Deposits in credit entities	—	220	424	767	215	369	92	97	—	30	2,214
Deposits in other financial institutions	—	1,590	364	469	327	192	562	279	296	2,566	6,646
Reverse repo, securities borrowing and margin lending	—	15,945	4,578	1,351	364	368	3,320	1,849	891	1,089	29,753
Loans and advances	—	9,531	10,000	9,418	6,377	7,296	20,748	19,117	29,080	69,637	181,205
Securities' portfolio settlement	—	302	3,681	4,187	3,449	10,499	3,879	9,250	8,704	34,312	78,263

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	—	4,263	1,213	2,012	792	1,270	6,685	5,837	8,755	17,157	47,984
Deposits in financial institutions	2,002	7,246	86	7	1	6	91	46	76	347	9,908
Deposits in other financial institutions and international agencies	11,573	3,311	2,481	255	133	213	474	355	1,038	3,419	23,253
Customer deposits	168,091	13,919	6,460	3,709	3,045	2,751	1,955	686	222	483	201,319
Security pledge funding	—	23,958	5,063	1,494	1,046	307	11,172	28,151	352	1,395	72,937
Derivatives, net	—	(66)	4	(871)	(10)	47	(28)	83	(72)	(173)	(1,088)

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.

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 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 this context, BBVA has maintained its objective of strengthening the funding structure 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

5.5.3 Asset encumbrance

As of December 31, 2021 and 2020, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

Encumbered and unencumbered assets (Million of Euros)

	Encumbered assets				Unencumbered assets			
	Book value		Fair value		Book value		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
Equity instruments	307	2,134	307	2,134	16,113	9,611	16,113	9,611
Debt securities	20,047	14,283	17,814	11,044	41,039	55,731	43,272	58,970
Loans and advances and other assets	75,022	75,843	—	—	289,751	299,610	—	—

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 20) 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 and 2020, collateral pledges received mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

Collateral received (Millions of Euros)

	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of collateral received or own debt securities issued not available for encumbrance	
	2021	2020	2021	2020	2021	2020
Collateral received	**39,724**	**27,529**	**13,620**	**6,614**	**1,555**	**899**
Equity instruments	286	220	265	204	—	—
Debt securities	39,438	27,309	13,355	6,410	1,555	899
Loans and advances and other assets	—	—	—	—	—	—
Own debt securities issued other than own covered bonds or ABSs	**—**	**3**	**50**	**94**	**—**	**—**

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As of December 31, 2021 and 2020, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Sources of encumbrance (Millions of Euros)

	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	
	2021	2020	2021	2020
Book value of financial liabilities	**118,530**	**101,084**	**132,188**	**115,704**
Derivatives	13,686	12,853	13,576	12,949
Deposits	92,350	72,272	103,567	83,442
Outstanding subordinated debt	12,494	15,958	15,045	19,312
Other sources	**206**	**158**	**2,912**	**4,088**

6. Fair value of financial instruments

Framework and processes control

As part of the process established in the Bank for determining the fair value in order to ensure that financial assets and liabilities are valued following the 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.

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 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 Bank, 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 0.92% of financial assets and 0.12% of the Bank's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

6.1. Fair value of financial instruments

The fair value of the Bank's financial instruments in the accompanying balance sheets and its corresponding carrying amounts as of December 31, 2021 and 2020 are presented below:

Fair Value and Carrying Amount (Millions of Euros)

	Notes	2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	7	38,821	38,821	44,107	44,107
Financial assets held for trading	8	105,391	105,391	85,298	85,297
Non-trading financial assets mandatorily at fair value through profit or loss	9	437	437	409	408
Financial assets designated at fair value through profit or loss	10	—	—	—	—
Financial assets at fair value through other comprehensive income	11	28,205	28,205	37,528	37,529
Financial assets at amortized cost	12	231,276	233,510	225,914	228,665
Derivatives – Hedge accounting	13	841	841	1,011	1,011
LIABILITIES					
Financial liabilities held for trading	8	77,859	77,859	67,135	67,136
Financial liabilities designated at fair value through profit or loss	10	2,238	2,238	3,267	3,267
Financial liabilities at amortized cost	20	321,848	323,368	331,189	332,618
Derivatives – Hedge accounting	13	2,126	2,126	1,510	1,510

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.

6.1.1. 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

In general, 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.

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The following table shows the financial instruments carried at fair value in the accompanying balance sheets, broken down by level used to determine their fair value as of December 31, 2021 and 2020:

Fair Value of Financial Instruments by Levels (Millions of Euros)

	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**25,041**	**77,097**	**3,252**	**19,879**	**64,169**	**1,249**
Equity instruments	15,118	—	28	10,645	—	37
Debt securities	8,874	2,554	118	7,214	2,744	25
Loans and advances	—	47,397	2,913	—	26,940	1,148
Derivatives	1,049	27,146	193	2,020	34,486	39
Non-trading financial assets mandatorily at fair value through profit or loss	**115**	**77**	**245**	**120**	**74**	**214**
Equity instruments	115	1	57	120	10	53
Debt securities	—	77	49	—	65	77
Loans and advances	—	—	140	—	—	84
Financial assets designated at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**—**
Financial assets at fair value through other comprehensive income	**27,252**	**749**	**204**	**36,731**	**687**	**111**
Equity instruments	1,077	—	26	864	—	17
Debt securities	26,175	749	178	35,867	687	94
Loans and advances	—	—	—	—	—	—
Derivatives – Hedge accounting	**—**	**832**	**9**	**—**	**1,003**	**8**
LIABILITIES				**—**	**—**	**—**
Financial liabilities held for trading	**14,236**	**63,300**	**323**	**11,890**	**55,074**	**172**
Trading derivatives	1,089	25,869	97	2,271	33,055	70
Short positions	13,147	1	—	9,618	7	—
Deposits	—	37,431	226	—	22,012	102
Financial liabilities designated at fair value through profit or loss	**—**	**2,074**	**164**	**—**	**3,026**	**241**
Customer deposits	—	2,074	164	—	3,026	241
Debt certificates	—	—	—	—	—	—
Other financial liabilities	—	—	—	—	—	—
Derivatives – Hedge accounting	**—**	**2,126**	**—**	**—**	**1,510**	**—**

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 and 2020:

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Fair Value of financial Instruments by Levels (Millions of Euros).

	2021		2020				
	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS							
Financial assets held for trading	**77,097**	**3,252**	**64,169**	**1,249**			
Equity instruments	—	28	—	37	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	2,554	118	2,744	25	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	47,397	2,913	26,940	1,148	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates - Interest rates for the financing of assets - Exchange rates	- Prepayment rates - Issuer´s credit risk - Recovery rates
Derivatives	27,146	193	34,486	39			
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		- Beta - Implicit correlations between tenors - Interest rates volatility
Equity					Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Balck 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: Black 76, Local Volatility, moments 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	**77**	**245**	**74**	**214**			
Equity instruments	1	57	10	53	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	77	49	65	77	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	Prepayment rates - Issuer credit risk - Recovery rates
Loans and advances	—	140	—	84	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings	- Issuer credit risk - Current market interest rates - Interest rates for the financing of assets - Exchange rates	- Property valuation
Financial assets at fair value through other comprehensive income	**749**	**204**	**687**	**111**			
Equity instruments	—	26	—	17	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	749	178	687	94	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	**832**	**9**	**1,003**	**8**			
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	
Equity					Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, Black 76, Momentum adjustment and Heston		
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black 76, Local volatility, moments adjustment		
Credit					Credit Derivatives: Default model and Gaussian copula		
Commodities					Commodities: Momentum adjustment and Discounted cash flows		

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Fair Value of Financial Instruments by Levels (Millions of Euros).

	2021		2020				
	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES							
Financial liabilities held for trading	**63,300**	**323**	**55,074**	**172**			
Deposits	37,431	226	22,012	102	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 observed in the market or in consensus services
Derivatives	25,869	97	33,055	70			
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, moments 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	1	—	7	—	Present-value method (Discounted future cash flows)		- Correlation default - Credit spread - Recovery rates - Interest rate yield
Financial liabilities designated at fair value through profit or loss	**2,074**	**164**	**3,026**	**241**	**Present-value method (Discounted future cash flows)**	**- Prepayment rates - Issuer´s credit risk - Current market interest rates**	**- Prepayment rates - Issuer credit risk - Current market interest rates**
Derivatives – Hedge accounting	**2,126**	**—**	**1,510**	**—**			

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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 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: Black 76, local volatility, moments 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

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Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2021 and 2020:

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	p.b.
		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	p.b.
		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.

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 balance sheet as of December 31, 2021 and 2020 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") was €-103 million and €-110 million respectively, and the valuation adjustments to the derivative liabilities as "Debit Valuation Adjustment" (DVA) was €57 million and €66 million respectively. The impact recorded under "Gains (losses) on financial assets and liabilities held for trading, net" in the income statement for the year ended December 31, 2021 and 2020 corresponding to the mentioned adjustments was a net impact of €-2 million and €-26 million respectively.

As a result of the value variations of the inherent credit risk, which is included in the deposits classified as liabilities designated at fair value through profit and loss, the amount recognized in the heading "Accumulated other comprehensive income" has amounted to €3 million and €-29 million as of December 31, 2021 and 2020, 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 and 2020, €-11 million and €-9 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the consolidated balance sheet, being the impact on results €-1 million and €-1 million, respectively.

Valuation adjustments for valuation uncertainty

The fair value of the positions recorded at fair value must reflect the valuation risk derived from the uncertainty in the valuation for concepts of pure uncertainty of prices, liquidity risk and model risks. This adjustment is aligned with the regulatory requirements for prudent valuation via valuation adjustments with an impact on CET1, and meets the requirements of EBA CRR 105.10 for this purpose.

The adjustment to the valuation for liquidity incorporates an adjustment for Bid / Offer spreads in the valuation of 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 balance sheets are as follows:

Financial assets Level 3. Changes in the year (Millions of Euros)

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	**1,583**	**412**	**1,699**	**616**
Changes in fair value recognized in profit and loss (*)	175	(44)	486	458
Changes in fair value not recognized in profit and loss	(19)	—	(1)	—
Acquisitions, disposals and liquidations	2,418	185	(1,106)	(861)
Net transfers to Level 3	(446)	(66)	505	199
Exchange differences and others	—	—	—	—
Balance at the end	**3,711**	**487**	**1,583**	**412**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2020, 2020. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)"

.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).

For the years ended December 31, 2021, and 2020, 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 international accounting standards.

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 are at the following amounts in the accompanying balance sheets as of December 31, 2021 and 2020:

Transfer among levels (Millions of Euros)

	2021						2020					
From:	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS												
Financial assets held for trading	888	—	11	142	6	592	1,447	—	28	523	—	22
Non-trading financial assets mandatorily at fair value through profit or loss	—	—	—	—	—	23	9	—	—	19	—	17
Financial assets at fair value through other comprehensive income	5	—	10	35	—	2	9	—	19	—	—	6
Derivatives – Hedge accounting	—	—	—	—	—	—	—	—	—	8	—	—
Total	**893**	**—**	**21**	**176**	**6**	**616**	**1,465**	**—**	**47**	**550**	**—**	**45**
LIABILITIES												
Financial liabilities held for trading	563	—	—	55	—	94	6	—	—	177	—	6
Financial liabilities designated at fair value through profit or loss	—	—	—	38	—	65	—	—	—	56	—	27
Derivatives – Hedge accounting	—	—	—	—	—	—	—	—	—	—	—	—
Total	**563**	**—**	**—**	**94**	**—**	**159**	**6**	**—**	**—**	**233**	**—**	**34**

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:

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Financial instruments Level 3: sensitivity analysis (Millions of Euros)

	Potential impact on 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 at fair value through other comprehensive income	**—**	**—**	**40**	**(43)**
Total	**68**	**(93)**	**40**	**(43)**
LIABILITIES				
Financial liabilities held for trading	**3**	**(3)**	**—**	**—**
Total	**3**	**(3)**	**—**	**—**

6.2. 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.

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The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying balance sheets as of December 31, 2021 and 2020, broken down according to the method of valuation used for the estimation:

Fair value of financial instruments at amortized cost by Levels (Millions of Euros)

	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Cash, cash balances at central banks and other demand deposits	38,821	—	—	44,107	—	—
Financial assets at amortized cost	17,615	8,774	207,120	18,088	9,962	200,615
LIABILITIES						
Financial liabilities at amortized cost	78,594	244,488	286	76,011	256,348	259

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 and 2020:

Fair Value of financial Instruments at amortized cost by valuation technique (Millions of Euros)

	2021		2020			
	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Main observable inputs used
ASSETS						
Financial assets at amortized cost	**8,774**	**207,120**	**9,962**	**200,615**		
Loans and advances to central banks	—	—	—	—	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	115	8,252	148	8,627		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	2,753	198,213	3,294	191,600		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	5,907	655	6,520	389		- Credit spread - Interest rate yield
LIABILITIES						
Financial liabilities at amortized cost	**244,488**	**286**	**256,348**	**259**		
Deposits from central banks	—	—	—	—	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions	14,926	—	22,111	—		
Deposits from customers	214,534	87	215,628	46		
Debt certificates	3,273	199	8,482	213		
Other financial liabilities	11,756	—	10,126	—		

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.

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7. 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 balance sheets is as follows

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	Notes	2021	2020
Cash on hand		830	972
Cash balances at central banks		36,566	40,485
Other demand deposits		1,424	2,650
Total	**6.1**	**38,821**	**44,107**

8. Financial assets and liabilities held for trading

8.1 Breakdown of the balance

The breakdown of the balance under these headings in the accompanying balance sheets is as follows:

Financial assets and liabilities held-for-trading (Millions of Euros)

	Notes	2021	2020
ASSETS			
Derivatives (*)		28,389	36,545
Equity instruments	5.2.2	15,146	10,682
Credit institutions		*965*	*826*
Other sectors		*13,141*	*9,353*
Shares in the net assets of mutual funds		*1,040*	*503*
Debt securities	5.2.2	11,546	9,983
Issued by central banks		*—*	*19*
Issued by public administrations		*9,265*	*8,043*
Issued by financial institutions		*493*	*560*
Other debt securities		*1,788*	*1,361*
Loans and advances (**)	5.2.2	50,310	28,088
Loans and advances to central banks		3,467	53
Reverse repurchase agreement		*3,467*	*53*
Loans and advances to credit institutions		31,300	17,291
Reverse repurchase agreement		*31,286*	*17,284*
Loans and advances to customers		15,543	10,743
Reverse repurchase agreement		*15,262*	*10,368*
Total assets	**6.1**	**105,391**	**85,298**
LIABILITIES			
Derivatives (*)		27,054	35,396
Short positions		13,148	9,625
Deposits		37,657	22,114
Deposits from central banks		8,946	1,256
Repurchase agreement		*8,946*	*1,256*
Deposits from credit institutions		14,821	13,901
Repurchase agreement		*14,260*	*13,544*
Customer deposits		13,890	6,957
Repurchase agreement		*13,740*	*6,790*
Total liabilities	**6.1**	**77,859**	**67,135**

(*) The variation is mainly due to the evolution of interest rate derivatives.

(**) 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 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 and 2020 "Short positions" include €12,348 and €9,085 million, respectively, held with general governments.

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8.2 Derivatives

The derivatives portfolio arises from the Bank's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Bank's customers. As of December 31, 2021 and 2020, 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 balance sheets, divided into organized and OTC markets:

Derivatives by type of risk / by product or by type of market (Millions of Euros)

	2021			2020		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	**14,595**	**12,304**	**3,680,441**	**23,145**	**20,767**	**3,089,483**
OTC	14,595	12,304	3,664,808	23,145	20,767	3,075,587
Organized market	—	—	15,633	—	—	13,896
Equity instruments	**2,780**	**3,435**	**72,025**	**2,532**	**3,657**	**69,796**
OTC	758	1,245	48,469	526	1,389	41,629
Organized market	2,023	2,190	23,556	2,006	2,268	28,168
Foreign exchange and gold	**10,777**	**11,061**	**564,167**	**10,723**	**10,803**	**474,669**
OTC	10,777	11,061	564,167	10,723	10,803	474,669
Organized market	—	—	—	—	—	—
Credit	**236**	**254**	**18,081**	**146**	**169**	**21,462**
Credit default swap	236	254	18,081	146	169	21,462
Credit spread option	—	—	—	—	—	—
Total return swap	—	—	—	—	—	—
Other	—	—	—	—	—	—
Commodities	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
DERIVATIVES	**28,389**	**27,054**	**4,334,714**	**36,545**	**35,396**	**3,655,411**
Of which: OTC - credit institutions	*18,686*	*19,969*	*937,429*	*21,163*	*23,020*	*856,212*
Of which: OTC - other financial corporations	*4,893*	*2,270*	*3,247,925*	*9,185*	*7,427*	*2,652,216*
Of which: OTC - other	*2,788*	*2,626*	*110,172*	*4,192*	*2,681*	*104,919*

9. Non-trading financial assets mandatorily at fair value through profit or loss

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	2021	2020
Equity instruments	5.2.2	172	183
Debt securities	5.2.2	125	142
Loans and advances to customers	5.2.2	140	84
Total	**6.1**	**437**	**409**

10. Financial assets and liabilities designated at fair value through profit or loss

As of December 31, 2021 and 2020 there was no balance in the heading "Financial assets designated at fair value through profit or loss, has no balance (See Note 5.2.2).As of December 31, 2021 and 2020 the heading "Financial liabilities designated at fair value through profit or loss" included customer deposits for an amount of € 2.238 and €3.267 million respectively.

The recognition of assets and liabilities in these headings is made to reduce inconsistencies (asymmetries) in the valuation of those operations and those used to manage their risk.

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11. Financial assets at fair value through other comprehensive income

11.1. Breakdown of the balance

The breakdown of the balance by the main financial instruments in the accompanying balance sheets is as follows:

Financial assets at fair value through other comprehensive income (Millions of Euros)	Notes	2021	2020
Equity instruments	5.2.2	1,103	881
Debt securities (*)		27,102	36,648
Total	**6.1**	**28,205**	**37,528**
Of which: loss allowances of debt securities		*(5)*	*(11)*

(*) The variation is due to a reduction in the portfolio of financial assets issued by governments.

During financial years 2021 and 2020, there have been no significant reclassifications from the heading “Financial assets at fair value through other comprehensive income” to other headings or from other headings to “Financial assets at fair value through other comprehensive income”.

11.2. Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 31, 2021 and 2020, is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)	2021				2020			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Listed equity instruments								
Spanish companies shares	2,215	—	(1,138)	1,077	2,162	—	(1,299)	864
Foreign companies shares	—	—	—	—	—	—	—	—
Subtotal listed equity instruments	**2,215**	**—**	**(1,138)**	**1,077**	**2,162**	**—**	**(1,299)**	**864**
Unlisted equity instruments								
Spanish companies shares	4	6	—	10	4	—	—	4
Credit institutions	—	—	—	—	—	—	—	—
Other entities	4	6	—	10	4	—	—	4
Foreign companies shares	9	7	—	16	7	6	—	13
The United States	—	—	—	—	—	—	—	—
Other countries	9	7	—	16	7	6	—	13
Subtotal unlisted equity instruments	**13**	**13**	**—**	**26**	**11**	**6**	**—**	**17**
Total	**2,228**	**13**	**(1,138)**	**1,103**	**2,173**	**6**	**(1,299)**	**881**

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11.3. Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying financial statements as of December 31, 2021 and 2020, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)

	2021				2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agency	8,396	302	—	8,698	20,626	346	(14)	20,958
Central banks					—	—	—	—
Credit institutions	422	4	—	426	668	10	—	678
Other issuers	206	4	(1)	209	469	13	—	482
Subtotal	**9,024**	**310**	**(1)**	**9,333**	**21,764**	**368**	**(14)**	**22,118**
Foreign debt securities								
Mexico	**195**	**3**	**—**	**198**	**191**	**2**	**(1)**	**192**
Government and other government agency	21	—	—	21	21	—	—	21
Central banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other issuers	174	3	—	177	170	2	(1)	171
The United States	**2,433**	**36**	**(14)**	**2,455**	**2,957**	**43**	**(1)**	**2,999**
Government and other government agency	957	5	(14)	948	1,372	8	—	1,380
Central banks	—	—	—	—	—	—	—	—
Credit institutions	85	2	—	87	104	3	—	107
Other issuers	1,391	29	—	1,420	1,481	32	(1)	1,513
Other countries	**14,961**	**167**	**(12)**	**15,116**	**11,038**	**305**	**(5)**	**11,338**
Other foreign governments and government agency	11,435	116	(11)	11,540	7,367	244	(3)	7,607
Central banks	106	—	—	106	81	—	—	81
Credit institutions	772	10	—	782	802	8	—	810
Other issuers	2,648	41	(1)	2,688	2,789	53	(2)	2,840
Subtotal	**17,589**	**206**	**(26)**	**17,769**	**14,186**	**350**	**(7)**	**14,530**
Total	**26,613**	**516**	**(27)**	**27,102**	**35,950**	**718**	**(21)**	**36,648**

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The credit ratings of the issuers of debt securities as of December 31, 2021 and 2020, are as follows:

Debt securities by rating

	2021		2020	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%
AAA	1,015	3.7 %	1,472	4.0 %
AA+	180	0.7 %	224	0.6 %
AA	376	1.4 %	255	0.7 %
AA-	148	0.6 %	236	0.6 %
A+	5,773	21.3 %	5,531	15.1 %
A	1,163	4.3 %	1,714	4.7 %
A-	9,506	35.1 %	21,649	59.1 %
BBB+	1,541	5.7 %	1,535	4.2 %
BBB	7,110	26.2 %	719	2.0 %
BBB-	151	0.6 %	3,187	8.7 %
BB+ or below	—	— %	4	— %
Unclassified	141	0.5 %	122	0.3 %
Total	**27,102**	**100.0%**	**36,648**	**100.0%**

11.4. Gains/losses

The changes in the gains/losses (net of taxes) in December 31, 2021 and 2020 of debt securities recognized under the equity heading "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income" and equity instruments recognized under the equity heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss –Fair value changes of equity instruments measured at fair value through other comprehensive income" in the accompanying balance sheets are as follows:

Other comprehensive income - Changes in the gains / losses (Millions of Euros)

	Notes	Debt securities		Equity instruments	
		2021	2020	2021	2020
Balance at the beginning		**352**	**335**	**(1,294)**	**(469)**
Valuation gains and losses		49	85	167	(786)
Amounts transferred to income		(63)	(61)	—	—
Income tax and other		4	(7)	—	14
Other reclassifications		—	—	—	(53)
Balance at the end	**27**	**342**	**352**	**(1,127)**	**(1,294)**

In 2021 and 2020, equity instruments presented an increase of €167 million and a decrease of €786 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.

12. Financial assets at amortized cost

12.1. Breakdown of the balance

The breakdown of the balance under this heading in the accompanying balance sheets, according to the nature of the financial instrument, is as follows:

Financial assets at amortized cost (Millions of Euros)

	Notes	2021	2020
Debt securities		**22,312**	**23,241**
Government		21,110	17,574
Credit institutions		17	16
Other financial and non-financial corporations		1,185	5,651
Loans and advances to central banks		**254**	**7**
Loans and advances to credit institutions		**8,371**	**8,762**
Reverse repurchase agreements		150	203
Other loans and advances		8,221	8,559
Loans and advances to customers	**5.2.2**	**200,339**	**193,903**
Government		12,974	13,295
Other financial corporations		9,554	9,087
Non-financial corporations		82,629	77,055
Other		95,182	94,466
Total	**6.1**	**231,276**	**225,914**
Of which: impaired assets of loans and advances to customers	*5.2*	*8,137*	*8,193*
Of which: loss allowances of loans and advances	*5.2*	*(5,254)*	*(5,665)*
Of which: loss allowances of debt securities		*(8)*	*(12)*

During financial years 2021 and 2020, there have been no significant reclassifications from the heading "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

12.2. 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:

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Financial assets at amortized cost. Debt securities (Millions of Euros)

	2021				2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agencies	17,681	1,326	(7)	19,000	13,644	1,210	—	14,854
Central banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other issuers	337	10	(6)	341	4,838	59	(7)	4,890
Subtotal	**18,018**	**1,336**	**(13)**	**19,341**	**18,482**	**1,269**	**(7)**	**19,744**
Foreign debt securities								
The United States	**29**	**—**	**—**	**28**	**26**	**—**	**(1)**	**25**
Government and other government agencies	—	—	—	—	—	—	—	—
Central banks	—	—	—	—	—	—	—	—
Credit institutions	17	—	—	17	16	—	(1)	15
Other issuers	11	—	—	11	11	—	(1)	10
Other countries	**4,265**	**289**	**(1)**	**4,554**	**4,732**	**489**	**(1)**	**5,220**
Other foreign governments and government agencies	3,429	257	(1)	3,686	3,931	455	(1)	4,385
Central banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other issuers	836	32	—	868	802	34	—	835
Subtotal	**4,294**	**289**	**(1)**	**4,582**	**4,759**	**489**	**(2)**	**5,246**
Total	**22,312**	**1,625**	**(15)**	**23,923**	**23,241**	**1,757**	**(9)**	**24,989**

As of December 31, 2021 and 2020, the distribution according to the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, was as follows:

Debt securities by rating

	2021		2020	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	—	— %	—	— %
AA+	16	0.1 %	70	0.3 %
AA	—	— %	—	— %
AA-	—	— %	—	— %
A+	—	— %	—	— %
A	569	2.6 %	590	2.5 %
A-	16,300	73.1 %	16,717	71.9 %
BBB+	1,008	4.5 %	1,017	4.4 %
BBB	3,685	16.5 %	162	0.7 %
BBB-	332	1.5 %	4,387	18.9 %
BB+ or below	277	1.2 %	298	1.3 %
Unclassified	126	0.6 %	—	— %
Total	**22,312**	**100.0%**	**23,241**	**100.0%**

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12.3. Loans and advances to customers

The breakdown of the balance under this heading in the accompanying balance sheets, according to their nature, is as follows:

Loans and advances to customers (Millions of Euros)	2021	2020
On demand and short notice	242	447
Credit card debt	2,478	2,175
Trade receivables	15,818	12,626
Finance leases	5,039	4,731
Reverse repurchase agreements	2	—
Other term loans	171,272	170,294
Advances that are not loans	5,488	3,630
Total	**200,339**	**193,903**

The heading "Financial assets at amortized cost –Loans and advances to customers" in the accompanying 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.

As of December 31, 2021 and 2020, 39.2% and 34.6%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 60,8% and 65.3%, respectively, have variable interest rates.

This heading also includes some loans that have been securitized and not derecognized since the risks or substantial benefits related to them are retained because the Bank granted subordinated loans or other types of credit enhancements that substantially keep all the expected credit losses for the transferred asset or the probable variation of its net cash flows. The balances recognized in the accompanying balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)	2021	2020
Securitized mortgage assets	23,664	23,458
Other securitized assets	6,546	6,599
Total	**30,210**	**30,057**

13. 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 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
ASSETS		
Derivatives – Hedge accounting	841	1,011
Fair value changes of the hedged items in portfolio hedges of interest rate risk	5	51
LIABILITIES		
Derivatives – Hedge accounting	2,126	1,510
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—

As of December 31, 2021 and 2020, the main positions hedged by the Bank 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 5 analyzes the Bank'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 balance sheets are as follows:

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge. (Millions of Euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate	**553**	**273**	**711**	**332**
OTC	553	273	711	332
Organized market	—	—	—	—
Equity instruments	**—**	**—**	**—**	**—**
Foreign exchange and gold	**—**	**—**	**—**	**—**
Credit	**—**	**—**	**—**	**—**
Commodities	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
FAIR VALUE HEDGES	**553**	**273**	**711**	**332**
Interest rate	**72**	**1,562**	**8**	**868**
OTC	72	1,562	8	868
Organized market	—	—	—	—
Equity instruments	**—**	**—**	**—**	**—**
Foreign exchange and gold	**—**	**—**	**107**	**—**
OTC	—	—	107	—
Organized market	—	—	—	—
Credit	**—**	**—**	**—**	**—**
Commodities	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
CASH FLOW HEDGES	**72**	**1,562**	**115**	**868**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**198**	**196**	**166**	**139**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**18**	**95**	**18**	**170**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**—**	**—**	**—**	**—**
DERIVATIVES-HEDGE ACCOUNTING	**841**	**2,126**	**1,011**	**1,510**
Of which: OTC - credit institutions	*646*	*1,796*	*866*	*1,269*
Of which: OTC - other financial corporations	*195*	*330*	*145*	*241*
Of which: OTC - other	—	—	—	—

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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	**18,133**	**25,620**	**(75)**	**267**	**—**	**—**	**—**	**—**
Interest rate	18,133	25,620	(75)	267				
Financial assets measured at amortized cost	**7,796**	**10,704**	**228**	**483**	**—**	**—**	**1,997**	**2,500**
Interest rate	7,796	10,704	228	483			1,997	2,500
LIABILITIES								
Financial liabilities measured at amortized costs	**19,492**	**18,880**	**(682)**	**(1,179)**	**—**	**—**	**—**	**—**
Interest rate	19,492	18,880	(682)	(1,179)				

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)	3 months or less	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
FAIR VALUE HEDGES	**2,589**	**7,798**	**23,266**	**12,978**	**46,632**
Of which: Interest rate	2,589	7,798	23,266	12,978	46,632
CASH FLOW HEDGES	**—**	**2,640**	**32,980**	**4,102**	**39,722**
Of which: Interest rate	—	2,640	32,980	4,102	39,722
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	**—**	**—**	**—**	**—**	**—**
DERIVATIVES-HEDGE ACCOUNTING	**5,005**	**13,702**	**57,504**	**18,188**	**94,399**

In 2021 and 2020, 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 37).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2021 and 2020 were not material.

IBOR Reform

The transition from IBOR indices to the new risk free rates (RFR) (see Note 2.21) 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, Circular 5/2020, in line with the international accounting standards issued, made a series of transitory modifications to those 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	—	—	—	—
Fair value hedges	2,023	332	—	2,355

14. Investments in joint ventures and associates

14.1. Investments in subsidiaries

The heading “Investments in subsidiaries, joint venture and associates- Subsidiaries” in the accompanying balance sheets includes the carrying amount of the shares of companies forming part of the BBVA Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix II.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

Investments in subsidiaries (Millions of Euros)	2021	2020
Subsidiaries		
By currency	**33,970**	**33,755**
In euros	18,829	19,131
In foreign currencies (*)	15,141	14,624
By share price	**33,970**	**33,755**
Listed	6,567	6,838
Unlisted (*)	27,403	26,917
Loss allowances	**(16,744)**	**(16,208)**
Total	**17,226**	**17,547**

Garanti Bank

During 2021 and 2020, the negative evolution of the Turkish economy caused a depreciation of the Turkish lira in accordance with the accounting standards applicable to the individual financial statements, the Bank holds the stake in Garanti BBVA, A.S. valued at historic cost (weighted average price in euros of the various acquisitions made since 2011) and at each closing date the recoverability of the investment in euros is evaluated whenever there is any indication of impairment.

As of December 31, 2021 and 2020, BBVA estimated impairment in its holding stake in Garanti BBVA, A.S. affecting the Bank's individual financial statements. This estimation had a net negative impact on the individual result of the Bank, net of taxes, 877 and 288 million euros respectively, which is mainly as a result of the depreciation of the Turkish Lira. The Net Equity of the Bank was reduced by the same amount. As of December 31, 2021, the total impairment of the stake in Garanti is 3,224 million euros.

This impairment had no impact on the financial statements of the Bank, since currency translation differences are recognized under "Other accumulated comprehensive income" of the Group's consolidated equity, in accordance with the accounting standards applicable to the consolidated financial statements, so that the depreciation of the Turkish Lira was already recorded, reducing the consolidated net equity of the Group.

BBVA USA

In 2020, BBVA announced the sale of the BBVA subsidiary in the United States. Thus, the balances of the headings “Dividend income” and “Impairment or reversal of impairment of investments in subsidiaries, joint ventures or associates”, net of their corresponding tax effects, corresponding to companies for sale have been reclassified to heading "Profit (loss) after tax from discontinued activities" in the accompanying income statement for the year 2020. The balances of the assets corresponding to the investment in such companies for sale have been reclassified from their corresponding accounting headings in the balance sheet to the heading "Non-current assets and disposal groups that have been classified as held for sale" (see Notes 1.3 and 19).

As of March 31, 2020, BBVA estimated an impairment in BBVA USA Bancshares, Inc. that affected the Bank financial statements. That estimation supposed a negative net impact on the Bank’s benefit of €1.475 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 (See Note 1.5). Bank´s net equity decreased in the same amount. In 2020, an additional impairment has been recorded in this holding stake to adjust its book value to the price set for its sale (see below “Sale of BBVA’s U.S. subsidiary to PNC Financial Service Group”), which has had a negative impact on the individual result of the Bank of 933 million euros.

Movements

The changes in 2021 and 2020 in the balance under this heading in the balance sheets, disregarding the balance of the loss allowances, are as follows:

Investments in subsidiaries: changes in the year (Millions of Euros)

	2021	2020
Balance at the beginning	**33,755**	**46,179**
Acquisitions and capital increases	103	37
Merger transactions	—	(141)
Disposals and capital reductions (*)	(403)	(208)
Transfers	467	(11,681)
Exchange differences and others	48	(431)
Balance at the end	**33,970**	**33,755**

(*) The movement in 2020 corresponds to BBVA USA Bancshares Inc (See Note 1.3 and 19).

Changes in the holdings in Group entities

The most notable transactions performed in 2021 and 2020 are as follows:

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 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.

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, (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 euros (with an exchange rate of 1.20 EUR / USD). The operation after the closing of the sale, had a profit net of taxes of 272 million euros in the year 2021, which is recorded under the heading "Profits (losses) after taxes from discontinued operations" in the income statement as of December 31, 2021.

BBVA 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.

Sale of the BBVA Group's stake in Paraguay

On January 22, 2021 and 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.

The total amount received by BBVA amounted to approximately USD 250 million (approximately €210 million). The transaction has generated a capital loss net of taxes of approximately €9 million. However, this transaction has 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 first half of 2021.

14.2. Investments in joint ventures and associates

The breakdown, by currency and listings status, of this heading in the accompanying balance sheets is as follows:

Joint ventures and associates (Millions of Euros)		
	2021	**2020**
Associates		
By currency	**536**	**1,103**
In euros	302	887
In foreign currencies	234	216
By share price	**536**	**1,103**
Listed	272	284
Unlisted	264	819
Loss allowances	**(311)**	**(323)**
Subtotal	**225**	**780**
Joint ventures		
By currency	**55**	**55**
In euros	55	55
In foreign currencies	—	—
By share price	**55**	**55**
Listed	—	—
Unlisted	55	55
Loss allowances	**(1)**	**(1)**
Subtotal	**54**	**54**
Total	**279**	**834**

The investments in associates as of December 31, 2021 as well as the most important data related to them, can be seen in Appendix III.

The following is a summary of the gross changes in 2021 and 2020 under this heading in the accompanying balance sheets:

Joint ventures and associates: changes in the year (Millions of Euros)		
	2021	**2020**
Balance at the beginning	**1,158**	**1,203**
Acquisitions and capital increases	28	2
Disposals and capital reductions	(50)	(47)
Transfers	(545)	—
Exchange differences and others	—	—
Balance at the end	**591**	**1,158**

During the 2021 financial year, the most significant movement corresponds to the sale of the 20% stake in Divarian Property SA, which was previously reclassified under the heading "Non-current assets and disposal groups that have been classified as held for sale".

During 2021 and 2020, there has been no significant change.

14.3. Notifications about acquisition of holdings

Appendix IV provides notifications on acquisitions and disposals of holdings in associates or jointly-controlled entities, in compliance with Article 155 of the Corporations Act and Article 125 of the Securities Market Act 4/2015.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

14.4. Impairment

The breakdown of the changes in loss allowances in 2021 and 2020 under this heading is as follows:

Impairment (Millions of Euros)	Notes	2021	2020
Balance at the beginning		**16,532**	**16,818**
Increase in loss allowances charged to income	43	933	626
Decrease in loss allowances credited to income	43	(22)	(307)
Companies held for sale (*)		(25)	(279)
Merger transactions		—	(141)
Amount used		(361)	(185)
Transfers		—	—
Balance at the end		**17,057**	**16,532**

(*During the year 2021, the movement corresponds mainly to the transfer of the impairment of the 20% stake in Divarian Property, S.A.U. as a result of their reclassification under the heading "Non-current assets and disposal groups that have been classified as held for sale" in July 2021 and their subsequent sale in October 2021. The amount for the 2020 financial year corresponds to the company BBVA USA Bancshares, Inc. The 2020 movement refers to the reclassification of the impairment associated with the participation to the chapter "Non-current assets and disposal groups that have been classified as held for sale" of the accompanying balance sheet.. Additionally, in 2020 there were additional impairments associated with this stake for the amount of 2,409 million euros in the heading "Profit (loss) after taxes from discontinued activities" of the accompanying income statement (see Note 1.3, 14.1 and 19).

15. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying 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)

					Right to use asset			
	Notes	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Tangible asset of own use	Investment Properties	Investment Properties	Total
Revalued cost								
Balance at the beginning		**1,156**	**2**	**2,888**	**3,057**	**125**	**16**	**7,244**
Additions		1	—	55	124	1	—	181
Retirements		—	(1)	(222)	(54)	—	—	(277)
Transfers		(109)	—	(26)	(35)	35	(2)	(137)
Exchange difference and other		—	—	5	—	—	—	5
Balance at the end		**1,047**	**1**	**2,700**	**3,092**	**161**	**14**	**7,015**
Accrued depreciation								
Balance at the beginning		**193**	**—**	**2,301**	**414**	**26**	**2**	**2,936**
Additions	40	14	—	96	195	15	—	320
Retirements		—	—	(204)	(11)	—	—	(215)
Transfers		(22)	—	(16)	(5)	5	—	(38)
Exchange difference and other		—	—	3	—	—	—	3
Balance at the end		**185**	**—**	**2,180**	**592**	**46**	**2**	**3,005**
Impairment								
Balance at the beginning		**94**	**—**	**—**	**265**	**26**	**7**	**392**
Additions (*)	44	—	—	5	207	9		220
Retirements	44	—	—	—	(55)	(1)	—	(56)
Transfers		(24)	—	13	—	—	(1)	(12)
Exchange difference and other		—	—	(18)	—	—	—	(18)
Balance at the end		**70**	**—**	**—**	**417**	**34**	**6**	**527**
Net tangible assets								
Balance at the beginning		**869**	**2**	**587**	**2,377**	**73**	**7**	**3,915**
Balance at the end		**792**	**1**	**520**	**2,083**	**81**	**6**	**3,482**

(*) 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 21 and 44).

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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: Tangible asset of own use	Right to use asset: Investment Properties	Investment Properties	Total
Revalued cost								
Balance at the beginning		**1,360**	**—**	**3,063**	**3,143**	**100**	**15**	**7,681**
Additions		25	2	69	10	—	—	106
Retirements		—	—	(216)	(36)	—	—	(252)
Transfers		(229)	—	(25)	(60)	25	1	(288)
Exchange difference and other		—	—	(3)	—	—	—	(3)
Balance at the end		**1,156**	**2**	**2,888**	**3,057**	**125**	**16**	**7,244**
Accrued depreciation								
Balance at the beginning		**215**	**—**	**2,404**	**215**	**10**	**2**	**2,845**
Additions	40	16	—	105	214	12	—	347
Retirements		—	—	(188)	(6)	—	—	(194)
Transfers		(38)	—	(16)	(9)	4	—	(59)
Exchange difference and other		—	—	(3)	—	—	—	(3)
Balance at the end		**193**	**—**	**2,301**	**414**	**26**	**2**	**2,936**
Impairment								
Balance at the beginning		**162**	**—**	**—**	**187**	**14**	**6**	**369**
Additions	44	—	—	26	68	12	—	105
Retirements	44	—	—	—	—	—	—	—
Transfers		(68)	—	—	10	—	1	(57)
Exchange difference and other		—	—	(26)	—	—	—	(26)
Balance at the end		**94**	**—**	**—**	**265**	**26**	**7**	**392**
Net tangible assets								
Balance at the beginning		**983**	**—**	**660**	**2,741**	**76**	**7**	**4,467**
Balance at the end		**869**	**2**	**587**	**2,377**	**73**	**7**	**3,915**

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches. 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 and 2020, the cost of fully amortized tangible assets that remained in use were €1,580 million and €1,636 million, respectively.

The main activity of the Bank 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
Spain	1,895	2,482
Rest of the world	24	24
Total	**1,919**	**2,506**

(*) 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 and 45).

As of December 31, 2021 and 2020, the percentage of branches leased from third parties in Spain was 68% and 68%, respectively.

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16. Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2021 and 2020 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

The breakdown of the balance under this heading in the balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)

	2021	2020
Transactions in progress	797	783
Accruals	44	57
Total	**841**	**840**

The breakdown of the changes in 2021 and 2020 in the balance under this heading in the balance sheets is as follows:

Other intangible assets. Changes over the year (Millions of Euros)

		2021			2020		
	Notes	Computer software	Other intangible assets	Total of intangible assets	Computer software	Other intangible assets	Total of intangible assets
Balance at the beginning		**783**	**57**	**840**	**836**	**70**	**905**
Additions		323		323	251		251
Contributions from merger transactions		—	—	—	—	—	—
Amortization in the year	40	(305)	(13)	(318)	(304)	(13)	(316)
Net variation of impairment through profit or loss	44	(4)	—	(4)	—	—	—
Balance at the end		**797**	**44**	**841**	**783**	**57**	**840**

17. Tax assets and liabilities

The balance of the heading "Tax Liabilities" in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax of each year, net of tax with holdings and prepayments for that period, and the provision for current period corporation tax in the case of companies with a net tax liability. The amount of the tax refunds due to Group companies and the tax with holdings and prepayments for the current period are included under "Tax Assets" in the accompanying balance sheets.

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000. On December, 30, 2002, the pertinent notification was made to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation. Similarly, on the occasion of the acquisition of Unnim Group in 2012, the companies composing the Tax Group No. 580/11 which met the requirements became part of the Tax Group 2/82 from January 1, 2013. On the occasion of the acquisition of Catalunya Banc Group in 2015, the companies composing the Tax Group No. 585/11 which met the requirements became part of the Tax Group 2/82 from January 1, 2016.

In previous years, the Bank has participated in various corporate restructuring operations covered by the special regime for mergers, divisions, transfers of assets and exchange of securities under the terms provided in the Corporate Tax Law in force in each of the years corresponding. These operations are explained in detail in the financial statements, part of the annual accounts for the respective years. Similarly, the information requirements under the above legislation are included in the financial statements corresponding to the year in which the mentioned operations were carried out, as well as in the merger by absorption deed, other official documents or in the internal records of the Bank, available to the tax authorities.

17.1 Years open for review by the tax authorities

At the date of preparation of these financial statements, BBVA in Spain has 2017 and subsequent years subject to inspection, with respect to the main taxes applicable to it.

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, signed in conformity, except for those corresponding to the year 2016 in relation to which a partial disagreement has been expressed. The reports signed in conformity have become final as of the date of preparation of these financial statements. The conclusion of the previous inspections did not have a material impact on the Financial Statements as a whole.

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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 Bank's accompanying financial statements.

17.2 Reconciliation

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the recognized corporation tax expense is as follows:

Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax (Millions of Euros)

	2021	2020
Corporation tax	**224**	**75**
Decreases due to permanent differences:	—	—
Tax credits and tax relief at consolidated Companies	(49)	(49)
Other items net	(384)	(106)
Net increases (decreases) due to temporary differences	85	94
Charge for income tax and other taxes	**—**	**—**
Deferred tax assets and liabilities recorded (utilized)	(85)	(94)
Income tax and other taxes accrued in the period	**(209)**	**(80)**
Adjustments to prior years' income tax and other taxes	151	116
Income tax and other taxes	**(58)**	**36**

The heading "Other items net" of the previous table in 2021 includes mainly the tax effect on dividends and capital gains, which are exempt in order to avoid double taxation, for an amount of €2,286 million and non-deductible impairments for an amount of €909 million. In 2020, the effect of those concept were €1,533 and €319 million, respectively.

The Bank avails itself of the tax credits for investments in new fixed assets (in the scope of the Canary Islands tax regime, for a non-material amount), tax relief, R&D tax credits, donation tax credits and double taxation tax credits, in conformity with corporate income tax legislation.

Under the regulations in force until December 31, 2001, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax deferral for reinvestment. The information related to this tax credit can be found in the corresponding annual reports.

From 2002 to 2014, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of properties and shares representing ownership interests of more than 5%. The information related to this tax credit can be found in the corresponding financial statements.

17.3 Income tax recognized in equity

In addition to the income tax registered in the income statements, at the end of 2021 and 2020 the Bank recognized the following amounts in equity:

Tax recognized in Total Equity (Millions of Euros)

	2021	2020
Charges to total equity		
Debt securities	(148)	(142)
Equity instruments	(2)	(2)
Other	—	—
Subtotal	**(150)**	**(144)**
Credits to total equity		
Debt securities	—	—
Equity instruments	—	—
Other	288	114
Subtotal	**288**	**114**
Total	**138**	**(30)**

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17.4 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying balance sheets includes the tax receivables relating to deferred tax assets. The balance under the "Tax liabilities" heading includes the liabilities relating to the Bank's various deferred tax liabilities. The details of the most important tax assets and liabilities are as follows:

Tax Assets and Liabilities (Millions of Euros)

	2021	2020	Variation
Tax assets-			
Current tax assets	546	633	(87)
Deferred tax assets	11,748	12,131	(383)
Pensions	*215*	*312*	*(97)*
Financial Instruments	*330*	*227*	*103*
Other assets	*60*	*81*	*(21)*
Impairment losses	*283*	*251*	*32*
Other	*549*	*422*	*127*
Secured tax assets (*)	*9,303*	*9,360*	*(57)*
Tax losses	*1,008*	*1,478*	*(470)*
Total	**12,294**	**12,764**	**(470)**
Tax Liabilities-			
Current tax liabilities	187	173	14
Deferred tax liabilities	812	898	(86)
Charge for income tax and other taxes	*812*	*898*	*(86)*
Total	**999**	**1,071**	**(72)**

(*) The Law guaranteeing the deferred tax assets was approved in Spain in 2013.

Based on the available information, including historical profit levels and projections that the Bank handles for the coming 15 years results, the recoverability plan for deferred tax assets and liabilities has been reviewed, taking into account the impacts of COVID-19 (see Note 1.5) and it is considered that there is sufficient positive evidence, greater than the negative, that sufficient taxable income to recover deferred tax assets detailed above would be generated when they become deductible under the provisions of tax legislation.

With respect to the changes in assets and liabilities due to deferred tax contained in the above table, the following should be pointed out:

- The increase in assets for deferred tax assets related to financial instruments are mainly due to valuation adjustments in Total Equity
- Deferred tax assets have been reclassified from the category Pensions to Others for an amount of 82 million euros, because they fit better this classification.
- The other changes in deferred tax assets and liabilities are mainly due to the adjustments on the corporate income tax finally presented for year 2020 and the estimation for 2021.
- The variation in guaranteed tax assets and tax losses are due to the estimation for 2021 and the accounting of the closing of the tax inspection corresponding to years 2014 to 2016.

On the deferred tax assets and liabilities contained in the table above, those included in section 17.4 above have been recognized against the entity's equity, and the rest against earnings for the year or reserves.

From the guaranteed tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish Government is as follows:

Secured tax assets (Millions of Euros)

	2021	2020
Pensions	1,759	1,924
Loss allowances	7,544	7,436
Total	**9,303**	**9,360**

On the other hand, BBVA, S.A., has not recognized certain negative tax bases and deductions for which, in general, there is no legal period for offsetting, which are mainly originated by Catalunya Banc.

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18. Other assets and liabilities

The composition of the balance of these captions of the accompanying balance sheets is:

Other assets and liabilities (Millions of Euros)

	Notes	2021	2020
ASSETS			
Insurance contracts linked to pensions	**22**	**1,882**	**2,074**
Rest of other assets		**415**	**763**
Transactions in progress		80	106
Accruals		317	269
Other items		18	388
Total		**2,296**	**2,837**
LIABILITIES			
Transactions in progress		30	68
Accruals		893	726
Other items		962	749
Total		**1,885**	**1,543**

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19. 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 balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale: Breakdown by items (Millions of Euros)

	2021	2020
Foreclosures and recoveries	921	993
Foreclosures	*876*	*959*
Recoveries from financial leases	*44*	*34*
Assets from tangible assets (*)	559	476
Business sale - Assets (**)	—	11,699
Accrued amortization (***)	(112)	(89)
Loss allowances (*)	(483)	(3,100)
Total non-current assets and disposal groups classified as held for sale	**885**	**9,978**

(*) 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 closure 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 note 21 and 45).

(**) The balance for 2020 corresponds mainly to the participation in BBVA USA Bancshares Inc. (see Note 14).

(***) Corresponds to the accumulated depreciation of assets before classification as "Non-current assets and disposal groups classified as held for sale".

The changes in the balances under this heading in 2021 and 2020 are as follows:

Non-current assets and disposal groups classified as held for sale. Changes in the year (Millions of Euros)

	Notes	Foreclosed assets		From own use assets (*)		Business sale - assets (**)		Total	
Cost (1)		**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Balance at the beginning		**992**	**1,021**	**387**	**231**	**11,699**	**23**	**13,078**	**1,275**
Additions		193	212	—	—	11	2	204	215
Retirements (sales and other decreases)		(203)	(163)	(39)	(44)	(11,787)	—	(12,029)	(206)
Transfers, other movements and exchange differences	14	(62)	(79)	99	199	77	11,674	114	11,794
Balance at the end		**920**	**992**	**447**	**387**	**—**	**11,699**	**1,367**	**13,078**
Impairment (2)									
Balance at the beginning		**205**	**183**	**206**	**125**	**2,688**	**—**	**3,100**	**308**
Net variations through profit and loss	14,45	40	47	61	28	(469)	933	(368)	1,008
Retirements (sales and other decreases)	14	(33)	(20)	(13)	(13)	(2,244)	—	(2,290)	(33)
Transfers, other movements and exchange differences	14	4	(5)	12	66	25	1,755	41	1,816
Balance at the end		**216**	**205**	**266**	**206**	**—**	**2,688**	**482**	**3,100**
Balance at the end of Net carrying value (1)-(2)		**704**	**787**	**181**	**180**	**—**	**9,011**	**885**	**9,978**

(*) Net of accumulated amortizations until their classification as "Non-current assets and disposable groups of elements that have been classified as held for sale".

(**) The balance for 2020 corresponds to the stake in BBVA USA Bancshares Inc. and BBVA Paraguay (see Note 14).

As indicated in Note 2.3, "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 book value. As of December 31, 2021, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

Assets from foreclosures or recoveries

The table below shows the main non-current assets held for sale from foreclosures or recoveries:

Non-current assets and disposal groups classified as held for sale. From foreclosures or recoveries (Millions of Euros)

	2021	2020
Residential assets	532	628
Industrial assets	158	141
Agricultural assets	12	13
Total	**702**	**782**

The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2021 and 2020 had been held:

Assets from foreclosures or recoveries. Period of ownership (Millions of Euros)

	2021	2020
Up to one year	64	105
From 1 to 3 years	209	353
From 3 to 5 years	225	163
Over 5 years	204	161
Total	**702**	**782**

In 2021 and 2020, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €15 and €14 million respectively, with a mean percentage financed of 83% and 83%, respectively, of the price of sale. The total nominal amount of these loans and receivables, which are recognized under "Financial assets at amortized cost" was €1,401 and €1,503 million, as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, there were no gains not recognized in the income statement from the sale of assets financed by the Bank.

20. Financial liabilities at amortized cost

20.1. Breakdown of the balance

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Financial liabilities measured at amortized cost (Millions of Euros)

	2021	2020
Deposits	272,226	277,369
Deposits from central banks	40,839	37,903
Demand deposits	*4*	*162*
Time deposits and other	*40,835*	*37,741*
Deposits from Credit Institutions	14,936	22,106
Demand deposits	*7,414*	*6,569*
Time deposits and other (*)	*4,133*	*11,419*
Repurchase agreements	*3,389*	*4,118*
Customer deposits	216,452	217,360
Demand deposits	*193,671*	*180,409*
Time deposits and other (*)	*22,026*	*36,332*
Repurchase agreements	*754*	*619*
Debt certificates	37,866	43,692
Other financial liabilities	11,756	10,127
Total	**321,848**	**331,189**

(*) The variation in financial year 2021 is mainly due to the decrease in the balance in term accounts at Banco Bilbao Vizcaya Argentaria, S.A. offset by increases in demand accounts and investment funds (off balance sheet) due to the current rate situation.

The amount recorded in Deposits from central banks - Time deposits includes the provisions of the TLTRO III facilities of the European Central Bank amounting to €38,392 and 34,902 million euros as of December 31, 2021 and 2020 (See Note 5.5.2).

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 €381 and €211 million for the years ended December 31, 2021 and 2020 respectively (See Note 33.1).

20.2. Deposits from credit institutions

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying balance sheets is as follows:

Deposits from credit institutions (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
December 2021				
Spain	1,737	375	—	2,112
Rest of Europe	1,851	2,071	2,341	6,263
Mexico	85	—	—	85
South America	764	360	—	1,124
Rest of the world	2,977	1,327	1,048	5,352
Total	**7,414**	**4,133**	**3,389**	**14,936**
December 2020				
Spain	1,983	1,366	—	3,349
Rest of Europe	2,885	3,548	4,051	10,484
Mexico	106	—	—	106
South America	460	498	—	958
The United States	758	3,734	—	4,492
Rest of the world	377	2,273	67	2,717
Total	**6,569**	**11,419**	**4,118**	**22,106**

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20.3. Customer deposits

The breakdown of this heading in the accompanying balance sheets, by type of instrument and geographical area, is as follows:

Customer deposits (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
December 2021				
Spain	184,677	10,557	—	195,234
Rest of Europe	6,557	9,370	754	16,681
Mexico	218	76	—	294
South America	1,145	301	—	1,446
The United States				—
Rest of the world	1,074	1,723	—	2,797
Total	**193,671**	**22,026**	**754**	**216,452**
December 2020				
Spain	172,012	20,520	—	192,532
Rest of Europe	5,953	10,359	619	16,931
Mexico	198	70	—	268
South America	792	609	—	1,401
The United States	601	4,086	—	4,687
Rest of the world	853	688	—	1,541
Total	**180,409**	**36,332**	**619**	**217,360**

Previous table includes as of 31, December 2021 and 2020, subordinated deposits amounted to €173 million, vinculated to subordinated debt issues and preferred shares launched BBVA International Preferred, S.A.U., As of December 31, 2020, these deposits amounted to 360 million euros and were linked to issues made by the aforementioned company as well as by BBVA Global Finance, Ltd. and Caixa Terrassa Societat de Participacions Preferents, S.A.

20.4. Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

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Debt certificates (Millions of Euros)	2021	2020
In Euros	**32,603**	**37,949**
Promissory bills and notes	300	759
Non-convertible bonds and debentures	16,066	14,794
Mortgage Covered bonds (**)	7,615	10,320
Other securities	938	2,831
Accrued interest and others (*)	463	837
Subordinated liabilities	7,221	8,407
Convertible perpetual certificates	*3,500*	*4,500*
Other non- convertible subordinated liabilities	*3,528*	*3,613*
Valuation adjustments (*)	*193*	*294*
In Foreign Currency	**5,263**	**5,743**
Promissory bills and notes	106	333
Non-convertible bonds and debentures	2,111	1,956
Mortgage Covered bonds (**)	110	105
Other securities	412	1,016
Accrued interest and others (*)	5	3
Subordinated liabilities	2,518	2,329
Convertible perpetual certificates	*1,766*	*1,630*
Other non-convertible subordinated liabilities	*745*	*693*
Valuation adjustments (*)	*7*	*7*
Total	**37,866**	**43,692**

(*) Accrued interest but pending payment, valuation adjustments and issuance costs included

(**) See Appendix X.

As of December 31, 2021 and 2020, 59% and 64% of "Debt certificates" have fixed-interest rates, and 41% and 36% have variable interest rates, respectively.

The total cost of the accrued interest under "Debt securities issued" in 2021 and 2020 totaled €460 million and €600 million, respectively.

As of December 31, 2021 and 2020 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €290 million and €354 million, respectively.

The heading "Nonconvertible bonds and debentures" as of December 31, 2021 includes several issues, the latest maturing in 2039.

The heading "Mortgage Covered Bonds" as of December 31, 2021 includes issues with various maturities, the latest in 2037.

Subordinated liabilities included in this heading and in Note 20.3, and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank's shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

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 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.

On the other hand, the AGM held on March 17, 2017, 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.

20.5. Other financial liabilities

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Other financial liabilities (Millions of Euros)

	2021	2020
Lease liabilities	2,765	2,886
Creditors for other financial liabilities	3,384	3,223
Collection accounts	3,045	2,728
Creditors for other payment obligations (*)	2,561	1,289
Total	**11,756**	**10,127**

(*) This heading includes the amount committed for the acquisition of treasury shares in the buyback program (see Notes 2.12 and 3).

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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
Operating leases	189	378	368	1,830	2,765

The information required by Final Provision second of Law 31/2014 of December 3, which amends the Corporate Law to improve corporate governance modifies Additional Provision third of Law 15/2010, of July 5, amending the Law 3/2004 of December 29, through which measures for combating late payment in commercial transactions are set, is as follows:

Payments made and pending payments (*) (Millions of Euros)

	2021		2020	
	BBVA S.A.	BBVA GROUP IN SPAIN	BBVA S.A.	BBVA GROUP IN SPAIN
Average payment period to suppliers (days)	25	25	22	22
Ratio of outstanding payment transactions (days)	25	25	22	22
Ratio outstanding payment transactions (days)	18	18	19	19
Total payments	2,294	2,300	2,342	2,352
Total outstanding payments	95	96	104	104

(*) It is considered on time payments made within 60 days, and not on time those which exceeds 60 days.

The data shown in the table above on payments to suppliers refer to those which by their nature are trade creditors for the supply of goods and services, so data relating to "Other financial liabilities other liabilities -Trade pay " is included in the balance.

21. Provisions

The breakdown of the balance under this heading in the accompanying balance sheets, based on type of provisions, is as follows:

Provisions: Breakdown by concepts (Millions of Euros)

	Notes	2021	2020
Provisions for pensions and similar obligations	22	3,027	3,544
Other long term employee benefits (*)	22	600	18
Provisions for taxes and other legal contingencies		401	439
Provisions for contingent risks and commitments		310	270
Other provisions (**)		150	177
Total		**4,488**	**4,449**

(*) The variation is mainly explained by the collective layoff procedure that has been carried out at Banco Bilbao Vizcaya Argentaria, S.A

(**) Individually insignificant provisions or contingencies, for various concepts in different geographies.

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Below are the changes in 2021 and 2020 in the balances under this heading :

Provisions for pensions and similar obligations and Other long term employee benefits. Changes over the year (Millions of Euros)

	2021	2020
Balance at the beginning	**3,563**	**3,835**
Add		
Charges to income for the year	108	235
Interest expense and similar charges	*2*	*2*
Personnel expense	*5*	*4*
Provision expense	*102*	*228*
Charges to equity (*)	(2)	—
Transfers and other changes (**)	590	3
Less		
Benefit payments	(412)	(475)
Employer contributions	(191)	(24)
Unused amounts reversed during the period	(30)	(11)
Balance at the end	**3,627**	**3,563**

(*) Corresponds to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions (see Note 2.9).

(**) Provisions for different concepts that, individually, are not significant.

Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)

	2021	2020
Balance at beginning	**886**	**782**
Additions (*)	1,226	555
Acquisition of subsidiaries	—	—
Unused amounts reversed during the year	(328)	(297)
Amount used and other variations (*)	(923)	(154)
Balance at the end	**861**	**886**

(*) 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 15, 19, 41, 44 and 45). 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 5.1 "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.

22. Post-employment and other employee benefit commitments

As stated in Note 2.9, the Bank has assumed commitments with employees including short-term employee benefits (Note 39.1), defined contribution and defined benefit plans, as well as other long-term employee benefits.

The main Employee Welfare System has been implemented in Spain. Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right-holders in the event of retirement (except for those hired after March 8, 1980), permanent disability, death of spouse or death of parent.

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The Employee Welfare System in place at the Bank supersedes and improves the terms and conditions of the collective labor agreement for the banking industry; including benefits in the event of retirement, death and disability for all employees, including those hired after March 8, 1980. The Bank externally funded all its pension commitments with active and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with non-Group companies and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.96% owned by the Banco Bilbao Vizcaya Argentaria Group.

The table below shows a breakdown of recorded balance sheet liabilities relating to defined benefit plans as at December 31, 2021 and 2020:

Net defined benefit liability (asset) on the balance sheet (Millions of Euros)

	Notes	2021	2020
Pension commitments		3,132	3,464
Early retirement commitments		943	1,236
Other long-term employee benefits		600	18
Total commitments		**4,675**	**4,718**
Pension plan assets		1058	1,172
Total plan assets		**1,058**	**1,172**
Total net liability/asset		**3,617**	**3,546**
Of which: provisions- provisions for pensions and similar obligations	*21*	*3,027*	*3,544*
Of which: provisions-other long-term employee benefits (*)	*21*	*600*	*18*
Other net assets in pension plans		*(10)*	*(16)*
Of which: Insurance contracts linked to pensions	*18*	*(1,882)*	*(2,074)*

(*) The variation is mainly explained by the collective layoff procedure that is being carried out at Banco Bilbao Vizcaya Argentaria, S.A.

The following table shows defined benefit plan costs recorded in the income statement for fiscal years 2021 and 2020:

Income Statement and equity impact (Millions of Euros)

	Notes	2021	2020
Interest and similar expense		**2**	**2**
Interest expense		2	2
Interest income		—	—
Personnel expense		**45**	**51**
Defined contribution plan expense	39	38	44
Defined benefit plan expense	39	2	2
Other benefit expense		5	5
Provisions or reversal of provisions	**41**	**52**	**217**
Early retirement expense		100	220
Past service cost expense		(25)	—
Remeasurements (*)		(16)	(7)
Other provision expense		(7)	4
Total effects in income statements: debit (credit)		**99**	**270**
Total effects on equity: debit (credit) (**)		**(2)**	**—**

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statement (see Note 2.9).

(**) Actuarial gains (losses) on remeasurement of the net defined benefit pension liability before income taxes (see Note 2.9).

22.1 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, BBVA pays the required premiums to fully insure the related liability.

The change in these commitments as of December 31, 2021 and 2020 was as follows:

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Defined Benefit Plans (Millions of Euros)

	2021				2020			
	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	**4,700**	**1,172**	**3,528**	**2,074**	**5,001**	**1,200**	**3,801**	**2,096**
Current service cost	6	—	6	—	6	—	6	—
Interest income or expense	27	11	16	15	36	13	23	20
Contributions by plan participants	—	—	—	—	—	—	—	—
Employer contributions	—	(11)	11	—	—	—	—	—
Past service costs (*)	78	—	78	—	223	—	223	—
Remeasurements:	(124)	(51)	(73)	(58)	149	70	79	99
Return on plan assets (**)	—	*(51)*	*51*	*(58)*	—	*70*	*(70)*	*99*
From changes in demographic assumptions	—	—	—	—	*60*	—	*60*	—
From changes in financial assumptions	*(66)*	—	*(66)*	—	*96*	—	*96*	—
Other actuarial gain and losses	*(58)*	—	*(58)*	—	*(7)*	—	*(7)*	—
Benefit payments	(632)	(80)	(552)	(149)	(710)	(113)	(597)	(132)
Settlement payments	(1)	(1)	—	—	—	—	—	—
Business combinations and disposals	—	—	—	—	—	—	—	—
Effect on changes in foreign exchange rates	10	8	2	—	(7)	(7)	—	—
Other effects	11	10	1	—	2	9	(7)	(9)
Balance at the end	**4,075**	**1,058**	**3,017**	**1,882**	**4,700**	**1,172**	**3,528**	**2,074**

(*) Including gains and losses arising from settlements.

(**) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet as of December 31, 2021 includes €311 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank's Management Committee.(see Note 49)

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 Bank has established an Employee Benefits Committee including members from the different areas 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 at December 31, 2021 and 2020:

Actuarial Assumptions. Commitments in Spain

	2021	2020
Discount rate	0.74%	0.53%
Rate of salary increase	—	—
Mortality tables	PER 2020	PER 2020

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.

The discount rate used to value future benefit cash flows has been determined by reference to Eurozone high quality corporate bonds (see Note 2.9).

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 or the contractually agreed age in the case of early retirements.

Changes in the actuarial main assumptions can affect the calculation of the commitments. Should the discount rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered amounting to approximately an increase or decrease of €7 million net of tax.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include leave and long-service awards, which consist of either an established monetary award or shares in Banco Bilbao Argentaria A.A. granted to employees when they complete a given number of years of qualifying service. Additionally, this heading includes a fund related to the collective layoff procedure that has been carried out in the bank in 2021. As of December 31, 2021 and 2020 the value of these commitments amounted to €600 and €18 million respectively. These amounts are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying balance sheet (see Note 21).

Information on the various commitments is provided in the following sections.

Pension commitments

These commitments relate mainly to retirement, death and disability pension payments. They are covered by insurance contracts, pension funds and internal provisions.

The change in pension commitments as of December 31, 2021 and 2020 is as follows:

Pensions commitments (Millions of Euros)

	2021				2020			
	Defined Benefit Obligation	**Plan Assets**	**Net Liability (asset)**	**Insurance contracts linked to pensions**	**Defined Benefit Obligation**	**Plan Assets**	**Net Liability (asset)**	**Insurance contracts linked to pensions**
Balance at the beginning	**3,464**	**1,172**	**2,292**	**2,074**	**3,523**	**1,200**	**2,323**	**2,096**
Net commitments addition	—	—	—	—	—	—	—	—
Current service cost	6	—	6	—	6	—	6	—
Interest income or expense	27	11	16	15	36	13	23	20
Contributions by plan participants	—	—	—	—	—	—	—	—
Employer contributions	—	(11)	11	—	—	—	—	—
Past service costs (*)	(22)	—	(22)	—	3	—	3	—
Remeasurements:	(118)	(51)	(67)	(58)	160	70	90	99
Return on plan assets (**)	*—*	*(51)*	*51*	*(58)*	*—*	*70*	*(70)*	*99*
From changes in demographic assumptions	*—*	*—*	*—*	*—*	*58*	*—*	*58*	*—*
From changes in financial assumptions	*(66)*	*—*	*(66)*	*—*	*96*	*—*	*96*	*—*
Other actuarial gain and losses	*(52)*	*—*	*(52)*	*—*	*6*	*—*	*6*	*—*
Benefit payments	(246)	(80)	(166)	(149)	(262)	(113)	(149)	(132)
Settlement payments	(1)	(1)	—	—	—	—	—	—
Business combinations and disposals	—	—	—	—	—	—	—	—
Defined contribution transformation	—	—	—	—	—	—	—	—
Effect on changes in foreign exchange rates	10	8	2	—	(7)	(7)	—	—
Other effects	12	10	2	—	5	9	(4)	(9)
Balance at the end	**3,132**	**1,058**	**2,074**	**1,882**	**3,464**	**1,172**	**2,292**	**2,074**
Of Which: Vested benefit obligation relating to current employees	*2,978*	*—*	*—*	*—*	*3,284*	*—*	*—*	*—*
Of Which: Vested benefit obligation relating to retired employees	*154*	*—*	*—*	*—*	*180*	*—*	*—*	*—*

(*) Including gains and losses arising from settlements.

(**) Excluding interest, which is recorded under "Interest income or 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.

These pension commitments are insured through policies with the insurer belonging to the Group, and with other unrelated insurers whose policyholder is BBVA. There are also commitments in the Group's insurance company whose policyholder is the BBVA Employment Pension Plan.

All the policies meet the requirements established by the accounting regulations regarding the non-recoverability of contributions. However, the policies whose policyholder is the Entity that have been carried out with BBVA Seguros –a BBVA related party – and consequently these policies cannot be considered plan assets under the applicable standards. 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 balance sheet (see Note 21), while the related assets held by the insurance company are included under the heading “Insurance contracts linked to pensions “.

Additionally, there are commitments in insurance policies of the Pension Plan and with insurance companies not related to the Bank. In this case the accompanying balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2021 and 2020, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

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.

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing social benefits for the different groups of employees and, in some cases where a service was provided, quantified it as an annual amount in cash.

In addition, some overseas branches of the Bank maintain defined-benefit pension commitments with some of their active and inactive personnel. These arrangements are closed to new entrants who instead participate in defined-contribution plans.

Early retirement commitments

In 2021 the Bank offered certain employees the possibility of taking retirement or early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 432 employees (769 in 2020). The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement.

The change in these commitments during financial years 2021 and 2020 is shown below:

Early retirement commitments (Millions of Euros)

	2021			2020		
	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	**1,236**	**—**	**1,236**	**1,478**	**—**	**1,478**
Current service cost	—	—	—	—	—	—
Interest income or expense	—	—	—	—	—	—
Contributions by plan participants	—	—	—	—	—	—
Employer contributions	—	—	—	—	—	—
Past service costs (*)	100	—	100	220	—	220
Remeasurements:	(6)	—	(6)	(11)	—	(11)
Return on plan assets (**)	—	—	—	—	—	—
From changes in demographic assumptions	—	—	—	*2*	—	*2*
From changes in financial assumptions	—	—	—	—	—	—
Other actuarial gain and losses	*(6)*	—	*(6)*	*(13)*	—	*(13)*
Benefit payments	(386)	—	(386)	(448)	—	(448)
Settlement payments	—	—	—	—	—	—
Business combinations and disposals	—	—	—	—	—	—
Defined contribution transformation	—	—	—	—	—	—
Effect on changes in foreign exchange rates	—	—	—	—	—	—
Other effects	(1)	—	(1)	(3)	—	(3)
Balance at the end	**943**	**—**	**943**	**1,236**	**—**	**1,236**

(*) Including gains and losses arising from settlements.

(**) Excluding interest, which is recorded under "Interest income or expense".

The valuation and account treatment of these commitments is the same as that of the pension commitments, except for the treatment of actuarial gains and losses (see Note 2.9).

Estimated benefit payments

As of December 31, 2021 the estimated payments over the next ten years are as follows:

Estimated future payments (Millions of Euros)

	2022	2023	2024	2025	2026	2027 - 2031
Commitments in Spain	625	477	395	332	284	920
Of which: Early retirements	*284*	*218*	*154*	*106*	*74*	*107*

22.2 Defined contribution plans

The Bank sponsors defined contribution plans, in some cases with employees making contributions which are matched by the employer.

These contributions are accrued and charged to the income statement in the corresponding financial year. No liability is therefore recognized in the accompanying balance sheets for this purpose (see Note 2.9).

23. 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.

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.

Convertible and/or exchangeable securities:

Note 20.4 introduces the details of the convertible and/or exchangeable securities.

24. Share premium

As of December 31, 2021 and 2020, the balance under this heading in the accompanying balance sheets was €23,599 and €23,992 million, respectively (see Note 3).

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 23).

25. Retained earnings, revaluation reserves and other reserves

25.1. Breakdown of the balance

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Retained earnings, revaluation reserves and other reserves (Millions of Euros)		
	2021	2020
Restricted reserves		
Legal reserve	653	653
Restricted reserve for retired capital	761	120
Revaluation Royal Decree-Law 7/1996	—	—
Voluntary reserves		
Voluntary and others (*)	3,994	8,117
Total	**5,409**	**8,890**

(*) The variation corresponds mainly to the application of the result for the year 2020 and the share buyback program (see Note 3).

25.2. Legal reserve

Under the amended 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.

25.3. Restricted reserves

As of December 31, 2021 and 2020, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)		
	2021	2020
Restricted reserve for retired capital	88	88
Restricted reserve for Parent Company shares and loans for those shares (*)	672	30
Restricted reserve for redenomination of capital in euros	2	2
Total	**761**	**120**

(*) The variation in 2021 is mainly due to the share buyback program (see Note 3).

The restricted reserve for retired capital resulted from in 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 Bank's common stock in euros.

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25.4. Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

Revaluation and Regularization of the Balance Sheet (Millions of Euros)

Legal revaluations and regularizations of tangible assets:	—
Cost	187
Less:	
Single revaluation tax (3%)	*(6)*
Balance as of December 31, 1999	**181**
Rectification as a result of review by the tax authorities in 2000	(5)
Transfer to voluntary reserves	(176)
Total as of December 2020 and 2021	**—**

26. Treasury shares

In 2021 and 2020 the Group companies performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of euros)

	2021		2020	
	Number of Shares	**Millions of Euros**	**Number of Shares**	**Millions of Euros**
Balance at beginning	**14,352,832**	**46**	**12,617,189**	**62**
+ Purchases (*)	203,530,570	1,022	234,691,887	807
- Sales and other changes	(90,250,003)	(417)	(232,956,244)	(830)
+/- Derivatives on BBVA shares	—	(4)	—	7
+/- Other changes	—	—	—	—
Balance at the end	**127,633,399**	**647**	**14,352,832**	**46**
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*
Held by other subsidiaries	—	—	—	—
Average purchase price in Euros	5.02	—	3.44	—
Average selling price in Euros	4.89	—	3.63	—
Net gains or losses on transactions (Shareholders' funds-Reserves)		17		—

(*) In 2021 includes the share buyback program (see Note 3).

The percentages of treasury shares held by the Group in 2021 and 2020 are as follows:

Treasury Stock	**2021**			**2020**		
	Min	**Max**	**Closing**	**Min**	**Max**	**Closing**
% treasury stock	0.108%	1.922%	1.914%	0.008%	0.464%	0.215%

The number of BBVA shares accepted by the Bank in pledge of loans as of December 31, 2021 and 2020 is as follows:

Shares of BBVA accepted in pledge

	2021	2020
Number of shares in pledge	29,372,853	39,407,590
Nominal value (Euros)	0.49	0.49
% of share capital	0.44%	0.59 %

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2021 and 2020 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group

	2021	2020
Number of shares owned by third parties	17,645,506	18,266,509
Nominal value (Euros)	0.49	0.49
% of share capital	0.26%	0.27%

27. Accumulated other comprehensive income (loss)

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Accumulated other comprehensive income (loss). Breakdown by concepts (Millions of Euros)

	Notes	2021	2020
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	11.4	(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 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	11.4	342	352
Hedging instruments (non-designated items)		—	—
Non-current assets and disposal groups classified as held for sale		—	—
Total		**(1,461)**	**(1,124)**

The balances recognized under these headings are presented net of tax.

28. Capital base and capital management

As of December 31, 2021 and 2020, own funds is calculated in accordance to the applicable regulation of each year on minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated group– that establish how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market

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, on an individual level, a CET1 capital ratio of f 7.85% and a total capital ratio of 12.01%.

The minimum capital base requirements established by the current regulation are calculated according to BBVA S.A.'s exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, BBVA S.A. must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2021 and 2020 is shown below:

Eligible capital resources (Millions of Euros)	Notes	2021 (*)	2020
Capital	23	3,267	3,267
Share premium	24	23,599	23,992
Retained earnings, revaluation reserves and other reserves	25.1	5,409	8,890
Other equity instruments, net		49	34
Treasury shares	26	(574)	(9)
Profit (loss) for the year		1,080	(2,182)
Attributable dividend		(533)	—
Total Equity		**32,296**	**33,992**
Accumulated other comprehensive income (loss)		(1,461)	(1,124)
Shareholders´ equity		**30,836**	**32,867**
Intangible assets		(363)	(355)
Fin. treasury shares		(17)	(98)
Deductions		**(380)**	**(712)**
Temporary CET 1 adjustments		320	618
Equity not eligible at solvency level		**320**	**618**
Other adjustments and deductions (**)		**(5,208)**	**(2,372)**
Common Equity Tier 1 (CET 1)		**25,568**	**30,660**
Additional Tier 1 before regulatory adjustments		**5,266**	**6,130**
Tier 1		**30,834**	**36,790**
Tier 2		**4,678**	**5,106**
Total Capital (Total Capital=Tier 1 + Tier 2)		**35,511**	**41,896**
Total Minimum equity required		**21,720**	**24,325**

(*) 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 3).

The BBVA S.A.'s own funds in accordance with the aforementioned applicable regulation as of December 31, 2021 and 2020 is shown below:

Amount of capital CC1 (Millions of Euros)

	2021 (*)	2020
Capital and share premium	26,866	27,259
Retained earnings and equity instruments	5,729	9,509
Other accumulated income and other reserves	(887)	(996)
Net interim attributable profit	1,080	(2,182)
Ordinary Tier 1 (CET 1) beforeother reglamentary adjustments	**32,788**	**33,590**
Goodwill and intangible assets	(319)	(355)
Direct and indirect holdings in equity (**)	(2,209)	—
Deferred tax assets	(1,008)	(1,478)
Other deductions and filters	(3,684)	(1,096)
Total common equity Tier 1 reglamentary adjustments	**(7,221)**	**(2,930)**
Common equity TIER 1 (CET1)	**25,568**	**30,660**
Equity instruments and share premium classified as liabilities	5,266	6,130
Additional Tier 1 (CET 1) before regulatory adjustments	**5,266**	**6,130**
Transitional CET 1 adjustments	—	—
Total regulatory adjustments of additional equity I Tier 1	**—**	**—**
Additional equity Tier 1 (AT1)	**5,266**	**6,130**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**30,834**	**36,790**
Equity instruments and share premium accounted as Tier 2	4,324	4,540
Credit risk adjustments	364	576
Tier 2 before regulatory adjustments	**4,688**	**5,116**
Tier 2 regulatory adjustments	**(10)**	**(10)**
Tier 2	**4,678**	**5,106**
Total capital (Total capital=Tier 1 + Tier 2)	**35,511**	**41,896**
Total RWA's	**180,831**	**202,559**
CET 1 (phased-in)	14.14%	15.10%
Tier 1 (phased-in)	17.05%	18.20%
Total capital (phased-in)	19.64%	20.70%

(*) Provisional data.
(**) Mainly includes the amount of repurchase of shares pending execution and up to the maximum limit authorized by the ECB to the BBVA Group (see Note 3).

As of December 31, 2021, Common Equity Tier 1 Capital (CET1) fully-loaded ratio stood at 14.11%, which represented a decrease of 71 basis points compared to December 31, 2020, standing the CET1 phased-in ratio at 14. 14%. These ratios incorporate the effects of the divestment in the United States in the second quarter (see Note 14). The difference between both ratios is mainly explained by the effect of the temporary adjustments for the treatment in the solvency indicators of the impacts of IFRS 9 and the subsequent modifications in response to the COVID-19 pandemic.

In addition, these ratios include the singular effects of the restructuring process as well as the deduction of the total amount of the share buyback programme authorized by the European Central Bank for €3,500 million.

Fully-loaded risk-weighted assets (RWA) decreased by approximately 21,757 million euros in 2021, mainly as a result of the divestment in the United States and the impairment of Turkey (see note 14).

The fully-loaded additional Tier 1 capital ratio (AT1) stood at 2.91% as of December 31, 2021 (2.91% phased-in). In this vein, it should be noted that in March 2021 an AT1 instrument was amortized by BBVA S.A. for an amount of 1,000 million euros.

The evolution of the eligible elements as Tier 2 capital has led the Tier 2 fully-loaded ratio to 2.66% as of December 31, 2021. Additionally, the phased-in Tier 2 stood at 2.59%, being the main difference between the former and the Tier 2 fully-loaded ratio, the temporary treatment of certain subordinated issuances.

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.

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29. Commitments and guarantees given

The breakdown of the balance under these headings in the accompanying balance sheets is as follows:

Commitments and guarantees given (Millions of Euros)	Notes	2021	2020
Loan commitments given		**89,353**	**80,959**
Of which: impaired		*109*	*100*
Central banks		—	—
General governments		3,405	2,177
Credit institutions		16,043	11,313
Other financial corporations		4,797	4,571
Non-financial corporations		52,255	49,259
Households		12,854	13,639
Financial guarantees given		**11,662**	**8,745**
Of which: impaired		*170*	*156*
Central banks		—	—
General governments		40	85
Credit institutions		325	258
Other financial corporations		5,803	4,416
Non-financial corporations		5,383	3,862
Households		111	124
Other commitments given		**24,181**	**25,711**
Of which: impaired		*393*	*305*
Central banks		—	112
General governments		77	77
Credit institutions		1,769	3,114
Other financial corporations		1,711	3,541
Non-financial corporations		20,522	18,746
Households		102	121
Total	**5.2.2**	**125,197**	**115,415**

The amount registered recorded in the balance sheet as of December 31, 2021, for loan commitments given, financial guarantees given and other commitments given is €130 million, 66 million and €114 million, respectively (see Note 21).

Since a significant portion of the amounts above will expire without any payment obligation materializing for the companies, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In the years 2021 and 2020, no issuance of debt securities carried out by associates of the BBVA, joint venture entities or non-Group entities have been guaranteed,

30. Other contingent assets and liabilities

As of December 31, 2021 and 2020, there were no material contingent assets or liabilities other than those disclosed in the accompanying Notes to the financial statements.

31. Purchase and sale commitments and future payment obligations

The purchase and sale commitments of BBVA are disclosed in notes 8, 12 and 20.

Future payment obligations mainly correspond to leases payable derived from operating lease contracts, as detailed in Note 20.5, and estimated employee benefit payments, as detailed in Note 22.1.

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32. Transactions on behalf of third parties

As of December 31, 2021 and 2020 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**
Financial instruments entrusted by third parties	316,288	318,218
Conditional bills and other securities received for collection	4,496	3,935
Securities lending	4,681	6,991
Total	**325,465**	**329,144**

33. Net interest income

33. 1. Interest and similar income

The breakdown of the interest and similar income recognized in the accompanying income statement is as follows:

Interest income. Breakdown by origin (Millions of Euros)		
	2021	**2020**
Financial assets held for trading	129	176
Financial assets designated at fair value through profit or loss	7	4
Financial assets at fair value through other comprehensive income	235	253
Financial assets at amortized cost	3,426	3,839
Hedging derivatives	(125)	(126)
Cash flow hedges (effective portion)	*80*	*45*
Fair value hedges	*(204)*	*(171)*
Other assets	3	57
Liabilities interest income (*)	614	425
Total	**4,289**	**4,629**

(*) Includes accrued interest following TLTRO III transactions in 2021 and 2020 (see Note 20.1).

The amounts recognized in equity in connection with hedging derivatives for the years ended December 31, 2021 and 2020 and the amounts derecognized from the equity and taken to the consolidated income statements during those years are included in the accompanying statements of recognized income and expense.

33.2. Interest expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Interest expense. Breakdown by origin (Millions of Euros)		
	2021	**2020**
Financial liabilities held for trading	51	120
Financial liabilities designated at fair value through profit or loss	47	45
Financial liabilities at amortized cost	816	1,080
Hedging derivatives and interest rate risk	(325)	(369)
Cash flow hedges	*3*	*3*
Fair value hedges	*(328)*	*(372)*
Other liabilities	8	10
Assets interest expense	264	228
Total	**861**	**1,115**

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34. Dividend income

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Dividend income (Millions of Euros)	2021	2020
Investments in associates	2	3
Investments in joint venture	5	2
Investments in subsidiaries	1,699	1,245
Other shares and dividend income	102	110
Total	**1,808**	**1,360**

35. Fee and commission income

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Fee and commission income (Millions of Euros)	2021	2020
Bills receivables	12	15
Demand accounts	334	223
Credit and debit cards and OPS	404	339
Checks	5	5
Transfers and other payment orders	183	155
Insurance product commissions	184	142
Loan commitments given	129	105
Other commitments and financial guarantees given	167	159
Asset management	167	126
Securities fees	48	65
Custody securities	107	94
Other fees and commissions	775	697
Total	**2,515**	**2,125**

36. Fee and commission expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Fee and commission expense (Millions of Euros)	2021	2020
Credit and debit cards	162	126
Transfers and other payment orders	8	4
Custody securities	14	13
Other fees and commissions	279	215
Total	**463**	**358**

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37. 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 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
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 (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 gains (losses)	*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 gains (losses)	*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
Subtotal gains (losses) on financial assets and liabilities	**501**	**412**
Exchange differences, net	56	(29)
Total	**558**	**383**

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
Debt instruments	77	299
Equity instruments	1,756	(36)
Loans and advances to customers	63	4
Derivatives	(1,457)	286
Derivatives held for trading	(1,421)	274
Interest rate agreements	*113*	*(252)*
Security agreements	*(1,585)*	*118*
Commodity agreements	—	—
Credit derivative agreements	*(24)*	*(25)*
Foreign-exchange agreements	*75*	*433*
Hedging Derivatives Ineffectiveness	(36)	13
Fair value hedges	(36)	13
Hedging derivative	*238*	*(316)*
Hedged item	*(274)*	*329*
Cash flow hedges	—	—
Customer deposits	63	(139)
Other	(2)	(2)
Total	**501**	**412**

In addition, in 2021 and 2020, under the heading “Exchange differences, net” of the income statements, net amounts of negative €41 million and negative €57 million, respectively, are recognized for transactions with foreign exchange trading derivatives.

38. Other operating income and expense

The breakdown of the balance under the heading “Other operating income” and in the accompanying income statements is as follows:

Other operating income (Millions of Euros)	2021	2020
Real estate income	29	28
Financial income from non-financial services	130	104
Other operating income	10	11
Total	**170**	**142**

The breakdown of the balance under the heading “Other operating expense” in the accompanying income statements is as follows:

Other operating expense (Millions of Euros)	Notes	2021	2020
Contributions to guaranteed banks deposits funds	1.8	405	382
Real estate agencies		35	47
Other operating expense		105	100
Total		**546**	**529**

In accordance with the applicable regulations, it is reported that the following enforceable sanction have been imposed on BBVA during the financial year 2021: Sanction imposed by the Bank of Spain: 2 sanctions imposed in the same case for alleged breaches of the Code of Best Practices regulated by the Royal Decree-Law 6/2012, for a total of € 6.000.000 €. As in the previous case, a contentious-administrative appeal has been filed and is pending resolution.

39. Administration costs

39.1 Personnel expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Personnel expense (Millions of Euros)	Notes	2021	2020
Wages and salaries		1,736	1,639
Social security costs		354	377
Defined contribution plan expense	22	38	44
Defined benefit plan expense	22	2	2
Other personnel expense		107	83
Total		**2,237**	**2,144**

Share-based employee remuneration

The amounts recognized under the heading “Administration costs - Personnel expense - Other personnel expense” in the income statements for the year ended December 31, 2021 and 2020, corresponding to the remuneration plans based on equity instruments in each year, amounted to €31 million and €10 million for BBVA, respectively. These amounts have been recognized with a corresponding entry under the heading “Shareholders’ funds - Other equity instruments” in the accompanying 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 1,159,766 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 1,419,165 BBVA shares corresponding to the first payment of the Deferred Portion of 2017 Annual Variable Remuneration of executive directors and Senior Management, to the full Deferred Portion of the 2017 Annual Variable Remuneration of the rest of the Identified Staff and other variable components of remuneration, 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 49.

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39.2 Other administrative expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Other administrative expense. Breakdown by main concepts (Millions of Euros)	2021	2020
Technology and systems	670	662
Communications	53	48
Advertising	78	75
Property, fixtures and materials	117	128
Taxes	69	49
Surveillance and cash courier services	34	35
Other expense	436	413
Total	**1,456**	**1,409**

40. Depreciation and amortization

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Depreciation and amortization (Millions of Euros)	Notes	2021	2020
Tangible assets	15	320	347
For own use		*110*	*121*
Right-of-use assets		*210*	*226*
Intangible assets	16	318	316
Total		**639**	**663**

41. Provisions or reversal of provisions

For years ended December 2021 and 2020, the net provisions recognized in this income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)	Notes	2021	2020
Pensions and other post-employment defined benefit obligations	22	52	217
Commitments and guarantees given	21	43	41
Other Provisions (*)	21	855	217
Total		**950**	**475**

(*) 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 21).

42. 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 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
Financial assets at fair value through other comprehensive income		(7)	4
Financial assets at amortized cost (*)		482	1,228
Of which: Recovery of written-off assets by cash collection	*5.2.5*	*(253)*	*(238)*
Total		**475**	**1,232**

(*) In 2020, the amount included the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic (see Notes 1.5, 5.1 and 5.2)

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43. Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates

The impairment losses on non-financial assets and investments in subsidiaries, joint ventures or associates broken down by the nature of these assets in the accompanying income statements is as follows:

Impairment or reversal of impairment of Investments in subsidiaries, joint ventures and associates (Millions of Euros)	2021	2020
Investments in subsidiaries, joint ventures and associates (*)	911	319
Total	**911**	**319**

(*) Includes impairment recorded in Garanti (see Note 14).

44. 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 income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)	Notes	2021	2020
Tangible assets (*)	15	164	105
Intangible assets	16	4	—
Other		(1)	—
Total		**167**	**105**

(*) In 2021, it includes the impairment due to the closure 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 15 and 21).

45. 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
Gains on sale of real estate		20	33
Impairment of non-current assets held for sale (*)	19	(100)	(75)
Gains (losses) on sale of investments classified as non-current assets held for sale (**)		187	—
Gains on sale of equity instruments classified as non-current assets held for sale		—	—
Total		**107**	**(43)**

(*) 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 19 and 21).

(**) The balance for 2021 corresponds to the participation in BBVA Paraguay (see Note 14).

46. Statements of cash flows

The table below shows the breakdown of the main cash flows related to financing activities as of December 31, 2021 and 2020:

Main Cash Flows in financing activities 2021 (Millions of Euros)	December 31, 2021	December 31, 2020	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	173	360		
Issuances of subordinated liabilities	9,739	10,736		
Total	**9,912**	**11,096**	**(1,325)**	**141**

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Main cash flows in financing activities 2020 (Millions of Euros)	December 31, 2020	December 31, 2019	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	360	304		
Issuances of subordinated liabilities	10,736	10,058		
Total	**11,096**	**10,362**	**784**	**(50)**

47. Accountant fees and services

The details of the fees for the services contracted by BBVA for the year ended December 31, 2021 and 2020 with its auditors and other audit entities are as follows:

Fees for Audits Conducted and other related services (Millions of Euros) (**)	2021	2020
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	12.9	12.6
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	0.5	0.5
Fees for audits conducted by other firms	—	—

(*) Including fees pertaining to annual legal audits (€11,7 and €11.1 million as of December 31, 2021 and December 31, 2020, respectively)

(**) Regardless of the billed period.

In addition, in 2021 and 2020, the Bank contracted services (other than audits) as follows:

Other services rendered (Millions of Euros)	2021	2020
Firms belonging to the KPMG worldwide organization	—	—

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. at the date of preparation of these financial statements as follows:

Fees for Audits Conducted (*) (Millions of Euros)	2021	2020
Legal audit of BBVA,S.A.	5.8	4.9
Other audit services of BBVA, S.A.	5.2	5.4
Limited Review of BBVA, S.A.	0.9	0.9
Reports related to issuances	0.1	0.3
Assurance services and other required by the regulator	0.5	0.6
Other	—	—

(*) Services provided by KPMG Auditores, S.L. to BBVA S.A., branch of BBVA in New York and branch of BBVA in London.

Information related to the services provided by KPMG AUDITORES, S.L., to companies controlled by BBVA, S.A., during the year ended December 31, 2021, is in the accompanying financial statement and dependent companies as of December 31, 2021.

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).

48. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. These transactions are not relevant and are carried out under normal market conditions. As of December 31, 2021 and 2020 the following are the transactions with related parties:

48.1. Transactions with significant shareholders

As of December 31, 2021 and 2020 there were no shareholders considered significant (see Note 23).

48.2. Transactions with BBVA Group entities

The balances of the main captions in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances arising from transactions with Entities of the Group (Millions of Euros)

	2021	2020 (*)
Assets:		
Loans and advances to credit institutions	365	258
Loans and advances to customers	4,755	3,659
Debt securities	393	316
Liabilities:		
Deposits from credit institutions	1,180	887
Customer deposits	13,207	8,814
Debt certificates	—	—
Memorandum accounts:		
Financial guarantees given	5,238	4,251
Contingent commitments	1,235	1,210
Other commitments given	1,210	1,693

(*) Includes balances with BBVA USA.

The balances of the main captions in the accompanying income statements resulting from transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances of Income Statement arising from transactions with Entities of the Group (Millions of Euros)

	2021	2020 (*)
Income statement:		
Financial Incomes	42	40
Financial Costs	98	110
Fee and commission income	601	513
Fee and commission expense	120	78

(*) Includes balances with BBVA USA.

There were no other material effects in the financial statements arising from dealings with these entities, and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

48.3. 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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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			
	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
Bank guarantees	—	—	10	—	—	—	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 49.

48.4. Transactions with other related parties

As of December 31, 2021 and 2020 the Bank did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's net equity, net earnings and financial situation.

49. 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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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.

50. Other information

50.1. Environmental impact

Given the activities the Bank engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its 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.

BBVA's management of environmental impacts and risks is presented in more detail in the attached Management Report.

50.2. Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 21 of Royal Decree 84/2015, dated February 13, of the Ministry of Economy and Finance.

50.3. Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

50.4. Mortgage market policies and procedures

The disclosure required by Bank of Spain Circular 5/2011 under the provisions of Spanish Royal Decree 716/2009, of April 24, (implementing certain aspects of Act 2/1981, of March 25, on the regulation of the mortgage market and other mortgage and financial market regulations) is detailed in Appendix X.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

50.5. Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash in 2021 and 2020 (cash basis accounting, regardless of the year in which they are accrued). For a complete analysis of all remuneration awarded to shareholders in 2021 and 2020 (see Note 3).

Paid Dividends

	2021			2020		
	% 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
Rest of shares	—	—	—	—	—	—
Total dividends paid in cash	**16.33%**	**0.08**	**533**	**32.65%**	**0.16**	**1,067**
Dividends with charge to income	16.33 %	0.08	533	32.65 %	0.16	1,067
Dividends with charge to reserve or share premium	—	—	—	—	—	—
Dividends in kind	—	—	—	—	—	—
Flexible payment	—	—	—	—	—	—

Interest income by geographical area

The breakdown of the balance under the heading "Interest Income and similar income" in the accompanying income statements by geographical area is as follows:

Interest Income. Breakdown by Geographical Area (Millions of Euros)

	Notes	2021	2020
Domestic		3,945	4,168
Foreign		344	461
European Union		*117*	*154*
Eurozone		*117*	*154*
No Eurozone		*—*	*—*
Rest of countries		*227*	*307*
Total	**33.1**	**4,289**	**4,629**

Number of employees

The breakdown of the average number of employees in the Bank in 2021 and 2020, by gender, is as follows:

Average number of employees

	2021		2020	
	Male	**Female**	**Male**	**Female**
Management team	732	252	764	249
Other line personnel	9,535	10,171	10,259	10,696
Clerical staff	683	1,179	826	1,366
General services	—	—	—	—
Branches abroad	554	427	556	423
Total (*)	**11,504**	**12,029**	**12,405**	**12,734**

(*) In 2021, the variation is mainly due to the agreement with the union representatives on the collective layoff procedure that is being carried out at Banco Bilbao Vizcaya Argentaria, S.A (see Note 21).

During 2021 and 2020, the average number of handicap employees with disabilities greater than or equal to 33% was 175 employees and 152, respectively.

The breakdown of the number of employees in the Bank as of December 31, 2021 and 2020 , by category and gender, is as follows:

Number of employees at the end of year. Professional category and gender

	2021		2020	
	Male	**Female**	**Male**	**Female**
Management team	700	259	755	251
Other line personnel	8,574	9,288	10,153	10,639
Clerical staff	483	883	806	1,367
General services	—	—	—	—
Branches abroad	568	440	548	421
Total	**10,325**	**10,870**	**12,262**	**12,678**

50.6. Responsible lending and consumer credit granting

BBVA has incorporated the best practices of responsible lending and credit granting to Retail Customers, and has policies and procedures that contemplate these practices complying with the provisions of the Central Bank of Spain, ECB and the Ministries of *Asuntos Económicos y Transformación Digital* and *Hacienda y Función Pública*.

Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on September 18, 2019) and the Rules and the Operating Frameworks derived from it, establish policies, practices and procedures in relation to responsible granting of loans and credit to Retail Customers.

In compliance with the different Regulation of the Bank of Spain, ECB and the Ministries of *Asuntos Económicos y Transformación Digital* and *Hacienda y Función Pública*, the following summary of those policies contained in the Corporate Retail Credit Risk Policy BBVA is provided:

- The need to adapt payment plans with sources of payment capacity;
- The evaluation requirements of affordability;
- The need when applicable, to take into account the existing financial obligations payments;
- In cases where, for commercial reasons or the type of rate/currency, the offer to the borrowers includes contractual clauses or contracting financial products to hedge interest rate and exchange rate risks.
- The need, when there is collateral, to establish a reasonable relationship between the amount of the loan and its potential extensions and value of collateral, regardless revaluations thereof;
- The need for extreme caution in the use of appraisal values on credit operations that have real estate as an additional borrower's personal guarantee;
- The periodic review of the value of collateral taken to hedge loans;
- A number of elements of management in order to ensure independence in the activity of appraisal companies;
- The need to warn customers of potential consequences in terms of cost by default interest and other expenses that would continue in default;
- Debt renegotiation criteria (refinancing and restructurings);
- The minimum documentation that operations should have in order to be granted and during its term.

In order to maintain an effective monitoring of these policies, BBVA has the following control mechanisms:

- Validations and computer controls built into the workflows of analysis, decision and contracting operations, in order to embed these principles in management;
- Alignment between the specifications of the product catalog with the policies of responsible lending;
- Different areas of sanction to ensure adequate hierarchy decision levels in response to the complexity of operations;
- A reporting scheme that allows to monitor the proper implementation of the policies of responsible lending.

51. 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 3).

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 3).

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 3).

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.

52. 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

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BBVA

APPENDIX I. BBVA Group Consolidated Financial Statements

Consolidated balance sheets as of December 31, 2021, 2020 and 2019

ASSETS (Millions of Euros)	2021	2020 (*)	2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**67,799**	**65,520**	**44,303**
FINANCIAL ASSETS HELD FOR TRADING	**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	**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	**1,092**	**1,117**	**1,214**
Debt securities	1,092	1,117	1,214
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**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	**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	**1,805**	**1,991**	**1,729**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**5**	**51**	**28**
JOINT VENTURES AND ASSOCIATES	**900**	**1,437**	**1,488**
Joint ventures	152	149	154
Associates	749	1,288	1,334
INSURANCE AND REINSURANCE ASSETS	**269**	**306**	**341**
TANGIBLE ASSETS	**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	**2,197**	**2,345**	**6,966**
Goodwill	818	910	4,955
Other intangible assets	1,379	1,435	2,010
TAX ASSETS	**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	**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	**1,061**	**85,987**	**3,079**
TOTAL ASSETS	**662,885**	**733,797**	**695,471**

(*) Presented for comparison purposes only.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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Consolidated balance sheets as of December 31, 2021, 2020 and 2019

LIABILITIES AND EQUITY (Millions of Euros)	2021	2020 (*)	2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**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	**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	**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	**2,626**	**2,318**	**2,233**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**—**	**—**	**—**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**10,865**	**9,951**	**10,606**
PROVISIONS	**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	**2,413**	**2,355**	**2,808**
Current tax liabilities	644	545	880
Deferred tax liabilities	1,769	1,809	1,928
OTHER LIABILITIES	**3,621**	**2,802**	**3,742**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**—**	**75,446**	**1,554**
TOTAL LIABILITIES	**614,125**	**683,777**	**640,546**

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Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

Consolidated balance sheets as of December 31, 2021, 2020 and 2019

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	2021	2020 (*)	2019 (*)
SHAREHOLDERS' FUNDS	**60,383**	**58,904**	**58,950**
Capital	**3,267**	**3,267**	**3,267**
Paid up capital	3,267	3,267	3,267
Unpaid capital which has been called up	—	—	—
Share premium	**23,599**	**23,992**	**23,992**
Equity instruments issued other than capital	**—**	**—**	**—**
Other equity	**60**	**42**	**56**
Retained earnings	**31,841**	**30,508**	**29,388**
Revaluation reserves	**—**	**—**	**—**
Other reserves	**(1,857)**	**(164)**	**(119)**
Reserves or accumulated losses of investments in joint ventures and associates	(247)	(164)	(119)
Other	(1,610)	—	—
Less: treasury shares	**(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)	**(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)	**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)	2021	2020 (*)	2019 (*)
Loan commitments given	119,618	132,584	130,923
Financial guarantees given	11,720	10,665	10,984
Other commitments given	34,604	36,190	39,209

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Consolidated income statements for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	2021	2020 (*)	2019 (*)
Interest and other income	23,015	22,389	27,762
Interest expense	(8,329)	(7,797)	(11,972)
NET INTEREST INCOME	**14,686**	**14,592**	**15,789**
Dividend income	176	137	153
Share of profit or loss of entities accounted for using the equity method	1	(39)	(42)
Fee and commission income	6,997	5,980	6,786
Fee and commission expense	(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	134	139	186
Gains (losses) on financial assets and liabilities held for trading, net	341	777	419
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	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
Exchange differences, net	883	359	581
Other operating income	661	492	639
Other operating expense	(2,041)	(1,662)	(1,943)
Income from insurance and reinsurance contracts	2,593	2,497	2,890
Expense from insurance and reinsurance contracts	(1,685)	(1,520)	(1,751)
GROSS INCOME	**21,066**	**20,166**	**21,522**
Administration costs	(8,296)	(7,799)	(8,769)
Personnel expense	(5,046)	(4,695)	(5,351)
Other administrative expense	(3,249)	(3,105)	(3,418)
Depreciation and amortization	(1,234)	(1,288)	(1,386)
Provisions or reversal of provisions	(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	(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	—	(190)	(46)
Impairment or reversal of impairment on non-financial assets	(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	(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	(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	280	(1,729)	(758)
PROFIT (LOSS)	**5,618**	**2,060**	**4,345**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**965**	**756**	**833**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,653**	**1,305**	**3,512**

	2021	2020 (*)	2019 (*)
EARNINGS (LOSSES) PER SHARE (Euros)	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)

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Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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**

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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)

2021	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest: Accumulated other comprehensive income (loss) (Note 31)	Non-controlling interest: 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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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.

(**) Balances as of December 31, 2019 as originally reported in the consolidated Financial Statements for the year 2019.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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		
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)**	**Accumulated other comprehensive income (loss) (Note 31)**	**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.

(**) Balances as of December 31, 2018 as originally reported in the consolidated Financial Statements for the year 2018.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

Consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)	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	(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	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)	2021	2020 (*)	2019 (*)
Cash	6,877	6,447	7,060
Balance of cash equivalent in central banks	55,004	53,079	31,756
Other financial assets	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	**—**	**11,368**	**—**

(*) Presented for comparison purposes only.

(**) In fiscal year 2021, the balance of Group companies in the United States included in the sale to PNC is included.

(***) In 2020, the balance of Group companies that were in the process of being sold in the United States included in the sale to PNC is included.

This Appendix is an integral part of Note 1.9 of the financial statements for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

APPENDIX II. Additional information on subsidiaries and structured entities composing the BBVA Group

			% 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)

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

			% 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)

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

			% 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	—

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(**) 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).

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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

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(**) 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%.

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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	—

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(**) 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.

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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

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(**) 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 14.1 of the financial statements for the year ended December 31, 2021.

APPENDIX III. 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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

			% 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 Note 14.2 of the financial statements for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

APPENDIX IV. 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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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.

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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 Note 14.3 of the financial statements for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

APPENDIX V. 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

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APPENDIX VI. 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

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APPENDIX VII. BBVA Group's structured entities. Securitization funds as of December 31, 2021

Issue Type and data (Millions of Euros)	2021	2020	Interest rate in force in 2021	Fix (F) or variable (V)	Maturity date
Non-convertible					
ago-06	—	40	—%	V	9-Aug-21
ago-06	—	46	—%	V	9-Aug-21
mar-07	73	73	0.73%	V	Perpetual
abr-07	68	68	0.02%	V	4-Apr-22
mar-08	125	125	6.03%	F	3-Mar-33
may-08	50	50	3.83%	V	19-May-23
jul-08	100	100	6.20%	F	4-Jul-23
feb-17	1,000	1,000	3.50%	F	10-Feb-27
feb-17	99	99	4.00%	F	24-Feb-32
mar-17	65	65	4.00%	F	24-Feb-32
mar-17	53	53	2.00%	V	16-Mar-27
mar-17	106	98	5.70%	F	31-Mar-32
may-17	19	19	1.60%	F	24-May-27
may-17	150	150	2.54%	F	24-May-27
may-18	263	243	5.25%	F	29-May-33
feb-19	750	750	2.58%	F	22-Feb-29
ene-20	994	994	1.00%	F	16-Jan-30
jul-20	357	334	3.10%	F	15-Jul-31
Subordinated debt - convertible					
abr-16	—	1,000	8.88%	V	Perpetual
may-17	500	500	5.88%	V	Perpetual
nov-17	883	815	6.13%	V	Perpetual
sep-18	1,000	1,000	5.88%	V	Perpetual
mar-19	1,000	1,000	6.00%	V	Perpetual
sep-19	883	815	6.50%	V	Perpetual
jul-20	1,000	1,000	6.00%	V	Perpetual
Subtotal	**9,538**	**10,437**			
Subordinated deposits	**173**	**360**			
Total	**9,711**	**10,797**			

This Appendix is an integral part of Note 20.4 of the financial statements for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2021 and 2020

2021 (Millions of Euros)

	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	10,864	5,845	796	17,505
Non-trading financial assets mandatorily at fair value through profit or loss	83	—	66	149
Financial assets designated at fair value through other comprehensive income	3,464	109	5,152	8,725
Financial assets at amortized cost	21,608	1,855	3,064	26,527
Investments in subsidiaries, joint ventures and associates	—	—	11,968	11,968
Tangible assets	6	3	6	15
Other Assets	3,856	166	489	4,511
Total	**39,881**	**7,978**	**21,541**	**69,400**
Liabilities				
Financial assets held for trading	10,334	234	189	10,757
Other financial liabilities designated at fair value through profit or loss	1,605	163	153	1,921
Financial liabilities at amortized cost	22,632	3,117	2,592	28,341
Other Liabilities	301	40	95	436
Total	**34,872**	**3,554**	**3,029**	**41,455**

2020 (Millions of Euros)

	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	4,955	3,019	1,049	9,022
Non-trading financial assets mandatorily at fair value through profit or loss	84	5	48	137
Financial assets designated at fair value through other comprehensive income	3,552	91	4,690	8,334
Financial assets at amortized cost	18,330	1,737	2,542	22,609
Investments in subsidiaries, joint ventures and associates	—	—	12,313	12,313
Tangible assets	8	4	8	20
Other Assets	6,600	439	8,967	16,005
Total	**33,528**	**5,295**	**29,618**	**68,440**
Liabilities				
Financial assets held for trading	4,553	210	234	4,997
Other financial liabilities designated at fair value through profit or loss	2,028	263	469	2,760
Financial liabilities at amortized cost	26,183	4,035	1,557	31,776
Other Liabilities	190	41	39	269
Total	**32,954**	**4,550**	**2,299**	**39,802**

This Appendix is an integral part of Note 2.13 of the financial statements for the year ended December 31, 2021.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

APPENDIX IX. Income statement corresponding to the first and second half of 2021 and 2020

INCOME STATEMENTS (Millions of Euros)

	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended December 31, 2021	Six months ended December 31, 2020
Interest income	2,155	2,394	2,134	2,234
Interest expense	(428)	(614)	(432)	(501)
NET INTEREST INCOME	**1,727**	**1,780**	**1,701**	**1,734**
Dividend income	898	927	910	434
Fee and commission income	1,183	1,067	1,332	1,058
Fee and commission expense	(204)	(173)	(259)	(185)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	61	141	22	(54)
Gains (losses) on financial assets and liabilities held for trading, net	229	300	66	53
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	79	8	34	21
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	42	(65)	3	(4)
Gains (losses) from hedge accounting, net	(28)	10	(8)	3
Exchange differences, net	28	(65)	29	36
Other operating income	89	71	80	70
Other operating expense	(264)	(248)	(282)	(281)
GROSS INCOME	**3,840**	**3,752**	**3,631**	**2,885**
Administrative expense	(1,816)	(1,785)	(1,877)	(1,768)
Personnel expense	*(1,086)*	*(1,057)*	*(1,150)*	*(1,087)*
Other administrative expense	*(729)*	*(728)*	*(727)*	*(680)*
Depreciation and amortization	(322)	(332)	(317)	(331)
Provisions or reversal of provisions	(939)	(372)	(11)	(102)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(326)	(945)	(149)	(287)
NET OPERATING INCOME	**437**	**318**	**1,277**	**396**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(35)	(348)	(876)	29
Impairment or reversal of impairment on non-financial assets	(155)	(46)	(12)	(60)
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	110	(24)	(4)	(19)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**360**	**(99)**	**386**	**347**
Tax expense or income related to profit or loss from continuing operations	208	(24)	(150)	(12)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**568**	**(122)**	**235**	**335**
Profit (loss) after tax from discontinued operations	277	(1,468)	—	(927)
PROFIT(LOSS) FOR THE YEAR	**845**	**(1,590)**	**235**	**(592)**

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 3/2010 and Circular 4/2016. 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 in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, "the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible" and which are not covered by the issue of mortgage bonds, mortgage participations or mortgage transfer certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

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 remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. 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.

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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	*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.	*(27,106)*	*(27,549)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**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.	*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.	*(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	**43,963**	**43,685**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	35,170	34,948
Issued Mortgage-covered bonds	**31,899**	**32,069**
Outstanding Mortgage-covered bonds	**9,399**	**12,559**
Capacity to issue mortgage-covered bonds	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

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Nominal value of the total mortgage loans (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.

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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**

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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.

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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)	**6540**	**6540**
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 12.3, 20.4 and 50.4 of the consolidated financial statements for the year ended December 31, 2021.

APPENDIX XI. Risks related to the developer and real-estate sector in Spain

a. Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA 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 the Risk-Acceptance teams, but throughout the handling, commercial, problematic management legal, etc. . Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management 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.

Specific policies for analysis and admission of new real estate developer risk transactions

there are guidelines for action that most of the operations follow, among which the contrast of the commercialization that guarantees the economic and financial viability of the project is of special importance.

In this context, the strategy with clients in the development sector 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 specifications.

Risk monitoring policies

Monitoring Committees are held on a monthly basis in which the evolution of the real estate portfolio is reviewed, with a review of its credit quality, the ratings given to customers and the entries in arrears that have occurred.

Monitoring Committees are held on a quarterly basis with the risk areas of the countries in which the development of all financed projects, their correct evolution in terms of works and sales, and compliance with the expected delivery schedules are analyzed.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks (Annex XII). In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, being demanding in obtaining additional guarantees and legal compliance with a refinancing tool that standardizes the criteria and variables to be considered in any refinancing.

b. Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2021 and 2020 is shown below:

Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of Euros)

	Gross amount		Drawn over the guarantee value		Accumulated impairment	
	2021	2020	2021	2020	2021	2020
Financing to construction and real estate development (including land) (Business in Spain)	**2,123**	**2,565**	**455**	**650**	**(224)**	**(317)**
Of which: Impaired assets	336	473	132	213	(158)	(254)
Memorandum item:						
Write-offs	2,155	2,288				
Memorandum item:						
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	172,877	166,589				
Total consolidated assets (total business)	442,279	443,032				
Impairment and provisions for normal exposures	(1,825)	(1,709)				

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
Without secured loan	**248**	**372**
With secured loan	**1,875**	**2,193**
Terminated buildings	1,172	1,307
Homes	*936*	*991*
Other	*235*	*316*
Buildings under construction	517	614
Homes	*509*	*430*
Other	*8*	*184*
Land	186	272
Urbanized land	*124*	*143*
Rest of land	*62*	*129*
Total	**2,123**	**2,565**

As of December 31, 2021 and 2020, 55.2% and 51.0% of loans to developers were guaranteed with buildings (79.9% and 75.8%, are homes), and only 8.8% and 10.6% by land, of which 66.6% and 52.6% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2021 and 2020:

Financial guarantees given (Millions of Euros)

	2021	2020
Houses purchase loans	56	58
Without mortgage	3	5

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2021 and 2020 is as follows:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)

	Gross amount		Of which: impaired loans	
	2021	**2020**	**2021**	**2020**
Houses purchase loans	74,094	74,689	2,748	2,841
Without mortgage	*1,631*	*1,693*	*13*	*20*
With mortgage	*72,463*	*72,996*	*2,735*	*2,821*

The loan to value (LTV) ratio of the above portfolio is as follows:

LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)"

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
December 2021						
Gross amount	15,189	18,107	22,782	9,935	6,449	72,463
of which: Impaired loans	*216*	*327*	*462*	*483*	*1,246*	*2,735*
December 2020						
Gross amount	15,197	18,891	20,716	10,624	7,568	72,996
of which: Impaired loans	*170*	*294*	*426*	*470*	*1,461*	*2,821*

Outstanding home mortgage loans for house purchase as of December 31, 2021 and 2020 had an average LTV of 46%

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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, at the time of foreclosure		Carrying Amount	
	2021	2020	2021	2020	2021	2020	2021	2020
Real estate assets from loans to the construction and real estate development sectors in Spain.	**28**	**28**	**(20)**	**(20)**	**(1)**	**(1)**	**8**	**8**
Terminated buildings	4	4	(2)	(2)	—	—	2	2
Homes	*3*	*3*	*(1)*	*(1)*	—	—	*2*	*2*
Other	*1*	*1*	*(1)*	*(1)*	—	—	—	—
Buildings under construction	—	—	—	—	—	—	—	—
Homes	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Land	24	24	(18)	(18)	(1)	(1)	6	6
Urbanized land	*24*	*24*	*(18)*	*(18)*	*(1)*	*(1)*	*6*	*6*
Rest of land	—	—	—	—	—	—	—	—
Real estate assets from mortgage financing for households for the purchase of a home	**943**	**1,090**	**(505)**	**(570)**	**(141)**	**(144)**	**438**	**520**
Rest of foreclosed real estate assets	**494**	**481**	**(264)**	**(259)**	**(62)**	**(48)**	**230**	**222**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**434**	**1,022**	**(316)**	**(317)**	**(278)**	**(279)**	**118**	**705**
Total	**1,899**	**2,621**	**(1,105)**	**(1,166)**	***(482)***	***(472)***	***794***	**1,455**

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2021 and 2020 amounted to €943 and €1,090 million, respectively, with an average coverage ratio of 53.6% and 52.3%, respectively.

As of December 31, 2021 and 2020, the gross book value total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €1,465 and €1,599 million, respectively. The coverage ratio was 53.9% and 53.1%, respectively.

This Appendix is an integral part of Note 5 of the financial statements for the year ended December 31, 2021.

APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing and restructuring operations (see definition in the Glossary) are carried out with customers who have requested such an operation 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 operation 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 operation, 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 operations do not in general increase the amount of the customer's loan, except for the expenses inherent to the operation itself.

- The capacity to refinance and restructure 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 loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of 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 operations 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 operation in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.

- Refinancing and restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.

- Customers subject to refinancing and restructuring operations 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 operation does not meet the loan is reclassified from "impaired" or "standard under special monitoring" to outstanding risk. The reclassification to the "standard under special monitoring" 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 impaired for reasons other than their default when there are significant doubts that the terms of their refinancing may not be met; or

– "Normal-risk assets under special monitoring" until the conditions established for their consideration as normal risk are met).

The conditions established for assets classified as “standard under special monitoring” 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; and

– At least two years must have elapsed since completion of the renegotiation or restructuring of the loan;

– 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 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 economic impact caused by the COVID-19 pandemic has required the adaptation of the amortization schedule of a high volume of loans in all geographies and portfolios. In general, this support has been instrumentalized through the application of payment deferrals that comply with the principles established by the EBA, which has made it possible to apply a differential accounting and prudential treatment.

Renewals and renegotiations are classified as normal risk as long as there is no significant increase in risk. This classification is applicable at the inception, and in the event of any worsening, the criteria established in current regulations are followed. In this sense, the conditions mentioned above are considered, including, among others, not having defaults of more than 30 days and not being identified as unlikely to pay.

The Group has established in its policy as a maximum refinancing limit for operations with clients, who do not comply with the payment plan and require another refinancing, two refinancing in 24 months.

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 restructured operation will be considered impaired when the reduction in the net present value of the financial obligation is greater than 1%, consistent with the new management criteria introduced during 2021.

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b) Quantitative information on refinancing and restructuring operations

BALANCE OF FORBEARANCE (Millions of Euros)"

	TOTAL													
	Unsecured loans				Secured loans								Accumulated impairment or accumulated losses in fair value due to credit risk	
	Number of operations		Gross carrying amount		Number of operations		Gross carrying amount		Maximum amount of secured loans that can be considered					
									Real estate mortgage secured		Rest of secured loans			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Credit institutions														
General Governments	57	65	62	76	32	64	22	62	15	45	—	—	11	14
Other financial corporations and individual entrepreneurs (financial business)	313	251	29	5	24	22	2	2	2	2	—	—	5	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	43,314	42,142	2,885	2,663	6,368	7,421	2,139	2,144	1,365	1,374	20	29	1,481	1,644
Of which: financing the construction and property (including land)	*164*	*336*	*31*	*48*	*727*	*932*	*379*	*526*	*208*	*302*	*—*	*8*	*168*	*242*
Rest homes	61,650	55,669	901	804	41,299	44,877	4,353	4,846	3,284	3,566	5	2	1,016	1,154
Total	**105,334**	**98,127**	**3,877**	**3,548**	**47,723**	**52,384**	**6,516**	**7,054**	**4,666**	**4,987**	**25**	**31**	**2,513**	**2,814**

of which: IMAPAIRED

	TOTAL													
	Unsecured loans				Secured loans								Accumulated impairment or accumulated losses in fair value due to credit risk	
	Number of operations		Gross carrying amount		Number of operations		Gross carrying amount		Maximum amount of secured loans that can be considered					
									Real estate mortgage secured		Rest of secured loans			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Credit institutions														
General Governments	29	39	29	36	23	29	10	20	6	14	—	—	10	11
Other financial corporations and individual entrepreneurs (financial business)	212	151	10	2	16	11	1	1	1	1	—	—	4	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	31,186	25,133	1,426	1,542	4,368	4,632	1,275	1,323	665	687	9	20	1,289	1,493
Of which: financing the construction and property (including land)	*150*	*313*	*30*	*44*	*529*	*633*	*262*	*356*	*118*	*164*	*—*	*8*	*145*	*217*
Rest homes	35,566	31,460	521	456	20,547	22,319	2,178	2,425	1,486	1,597	—	1	885	978
Total	**66,993**	**56,783**	**1,986**	**2,036**	**24,954**	**26,991**	**3,464**	**3,769**	**2,158**	**2,299**	**9**	**21**	**2,188**	**2,484**

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c) Loans and advances to customers by activity (carrying amount)

December 2020 (Millions of euros)

							Collateralized loans and receivables -Loans and advances to customers. Loan to value									
							Less than or equal to 40%		Over 40% but less than or equal to 60%		Over 60% but less than or equal to 80%		Over 80% but less than or equal to 100%		Over 100%	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
General governments	13,273	13,621	*279*	*318*	*498*	*500*	91	75	135	176	47	50	503	511	1	6
Other financial institutions and financial individual entrepreneurs	21,105	16,212	*185*	*162*	*14,639*	*9,379*	15	34	400	1,418	2,922	2,600	10,535	5,216	951	273
Non-financial institutions and non-financial individual entrepreneurs	84,814	80,806	*10,005*	*10,545*	*1,599*	*1,964*	4,257	4,462	3,533	3,766	2,203	1,961	317	1,001	1,294	1,319
Construction and property development	*1,730*	*1,970*	*1,618*	*1,794*	*8*	*18*	*678*	*752*	*567*	*628*	*244*	*290*	*54*	*90*	*82*	*52*
Construction of civil works	*5,007*	*5,270*	*566*	*586*	*246*	*264*	*239*	*258*	*187*	*189*	*85*	*88*	*39*	*41*	*261*	*274*
Other purposes	*78,077*	*73,566*	*7,822*	*8,165*	*1,345*	*1,682*	*3,340*	*3,452*	*2,779*	*2,949*	*1,874*	*1,583*	*223*	*870*	*951*	*993*
Large companies	52,972	48,028	*2,505*	*2,494*	*863*	*692*	1,044	1,031	815	895	945	530	41	221	523	509
SMEs (**) and individual entrepreneurs	25,104	25,538	*5,317*	*5,671*	*483*	*990*	2,296	2,421	1,964	2,054	929	1,053	182	649	429	484
Rest of households and NPISHs (***)	91,202	90,376	*73,641*	*74,201*	*358*	*371*	16,218	16,173	18,797	19,714	23,228	21,424	9,847	10,489	5,909	6,772
Housing	*74,729*	*75,166*	*72,695*	*73,087*	*114*	*112*	*15,911*	*15,859*	*18,564*	*19,433*	*23,004*	*21,181*	*9,669*	*10,260*	*5,660*	*6,466*
Consumption	*13,472*	*12,149*	*96*	*88*	*152*	*163*	*66*	*62*	*65*	*71*	*67*	*77*	*26*	*12*	*24*	*29*
Other purposes	*3,000*	*3,061*	*850*	*1,026*	*92*	*96*	*242*	*252*	*167*	*210*	*157*	*166*	*152*	*217*	*224*	*277*
TOTAL	**210,393**	**201,015**	***84,110***	***85,226***	***17,094***	***12,214***	**20,581**	**20,744**	**22,865**	**25,074**	**28,401**	**26,035**	**21,202**	**17,217**	**8,155**	**8,370**
MEMORANDUM:																
Forbearance operations (****)	*7,879*	*7,788*	*5,292*	*5,663*	*31*	*40*	*991*	*991*	*949*	*982*	*1,025*	*1,186*	*775*	*860*	*1,582*	*1,684*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

d) Concentration of risks by activity and geographical area (carrying amount)

December 2020 (Millions of Euros)

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Credit institutions	110,717	102,399	44,085	41,466	30,776	25,212	13,127	14,647	22,729	21,074
General governments	65,578	69,969	44,751	52,317	13,488	10,441	1,515	1,660	5,823	5,551
Central Administration	*49,933*	*54,332*	*30,009*	*37,302*	*13,190*	*10,159*	*1,217*	*1,601*	*5,517*	*5,270*
Other	*15,645*	*15,637*	*14,742*	*15,015*	*297*	*282*	*299*	*59*	*307*	*281*
Other financial institutions and financial individual entrepreneurs	54,128	54,938	14,419	18,222	22,716	17,466	11,506	14,479	5,487	4,771
Non-financial institutions and non-financial individual entrepreneurs	135,255	124,529	81,120	78,705	22,946	20,832	14,806	12,979	16,384	12,013
Construction and property development	*2,715*	*3,046*	*2,715*	*3,046*	—	—	—	—	—	—
Construction of civil works	*7,745*	*7,571*	*5,851*	*5,629*	*999*	*1,034*	*176*	*231*	*719*	*677*
Other purposes	*124,796*	*113,912*	*72,555*	*70,030*	*21,947*	*19,798*	*14,629*	*12,748*	*15,664*	*11,336*
Large companies	*97,769*	*86,553*	*46,452*	*43,403*	*21,541*	*19,336*	*14,272*	*12,543*	*15,503*	*11,271*
SMEs and individual entrepreneurs	*27,027*	*27,359*	*26,103*	*26,627*	*406*	*462*	*357*	*205*	*161*	*65*
Other households and NPISHs	91,472	90,651	89,680	88,546	1,326	1,571	98	103	367	431
Housing	*74,730*	*75,167*	*73,145*	*73,383*	*1,178*	*1,317*	*86*	*93*	*320*	*374*
Consumer	*13,472*	*12,149*	*13,436*	*12,117*	*15*	*16*	*11*	*7*	*10*	*9*
Other purposes	*3,270*	*3,335*	*3,099*	*3,046*	*133*	*238*	*1*	*3*	*37*	*48*
TOTAL	**457,150**	**442,486**	**274,055**	**279,256**	**91,252**	**75,522**	**41,052**	**43,868**	**50,790**	**43,840**

(*) 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.

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December 2020 - Spain (Millions of euros)

	TOTAL (*)		Andalucia		Aragon		Asturias		Baleares		Canarias		Cantabria		Castilla La Mancha		Castilla y León		Cataluña	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Credit institutions	44,085	41,466	2,231	355	51	14	—	—	34	18	—	—	1,119	1,117	—	—	—	—	307	329
Government agencies	44,751	52,317	1,115	1,189	556	581	367	366	659	500	803	583	11	14	362	248	1,070	954	1,797	2,229
Central Administration	*30,009*	*37,302*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	*14,742*	*15,015*	*1,115*	*1,189*	*556*	*581*	*367*	*366*	*659*	*500*	*803*	*583*	*11*	*14*	*362*	*248*	*1,070*	*954*	*1,797*	*2,229*
Other financial institutions and financial individual entrepreneurs	14,419	18,222	144	133	58	51	4	2	17	90	3	3	—	1	1	1	13	18	402	551
Non-financial institutions and non-financial individual entrepreneurs	81,120	78,705	7,124	6,598	1,706	1,549	1,299	1,165	2,310	2,425	2,276	2,309	534	475	1,376	1,292	1,467	1,492	13,883	14,221
Construction and property development	*2,715*	*3,046*	*334*	*405*	*20*	*27*	*41*	*47*	*22*	*49*	*106*	*105*	*6*	*7*	*31*	*43*	*26*	*28*	*680*	*727*
Construction of civil works	*5,851*	*5,629*	*529*	*497*	*98*	*82*	*47*	*49*	*148*	*130*	*121*	*130*	*55*	*27*	*119*	*97*	*85*	*77*	*1,028*	*1,091*
Other purposes	*72,555*	*70,030*	*6,260*	*5,696*	*1,587*	*1,440*	*1,211*	*1,069*	*2,140*	*2,246*	*2,050*	*2,074*	*473*	*441*	*1,227*	*1,152*	*1,355*	*1,387*	*12,176*	*12,403*
Large companies	*46,452*	*43,403*	*2,154*	*1,850*	*812*	*695*	*904*	*734*	*1,448*	*1,561*	*784*	*859*	*260*	*235*	*412*	*376*	*464*	*529*	*6,399*	*6,371*
SMEs and individual entrepreneurs	*26,103*	*26,627*	*4,106*	*3,846*	*776*	*745*	*307*	*335*	*691*	*685*	*1,266*	*1,215*	*213*	*206*	*815*	*776*	*891*	*858*	*5,777*	*6,032*
Other households and NPISHs	89,680	88,546	13,407	13,139	1,433	1,413	1,250	1,251	2,006	2,019	3,894	3,864	874	857	2,583	2,572	2,972	2,924	27,370	27,448
Housing	*73,145*	*73,383*	*10,820*	*10,796*	*1,168*	*1,171*	*926*	*950*	*1,695*	*1,724*	*2,862*	*2,888*	*727*	*721*	*2,017*	*2,068*	*2,338*	*2,338*	*23,106*	*23,477*
Consumer	*13,436*	*12,117*	*2,257*	*2,021*	*235*	*211*	*268*	*246*	*286*	*270*	*939*	*882*	*116*	*105*	*513*	*452*	*528*	*477*	*3,264*	*2,934*
Other purposes	*3,099*	*3,046*	*330*	*322*	*30*	*31*	*56*	*55*	*25*	*25*	*93*	*94*	*31*	*31*	*52*	*52*	*107*	*109*	*1,000*	*1,037*
TOTAL	**274,055**	**279,256**	**24,022**	**21,414**	**3,804**	**3,608**	**2,921**	**2,784**	**5,026**	**5,052**	**6,976**	**6,759**	**2,538**	**2,464**	**4,322**	**4,113**	**5,522**	**5,388**	**43,759**	**44,778**

December 2020 - Spain (Millions of euros)

	Extremadura		Galicia		Madrid		Murcia		Navarra		Comunidad Valenciana		País Vasco		La Rioja		Ceuta y Melilla	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Credit institutions	—	—	1,940	39	37,172	38,705	—	—	3	—	743	713	486	176	—	—	—	—
Government agencies	365	321	797	788	3,456	3,845	171	113	370	421	941	1,042	1,732	1,700	84	78	87	43
Central Administration	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	*365*	*321*	*797*	*788*	*3,456*	*3,845*	*171*	*113*	*370*	*421*	*941*	*1,042*	*1,732*	*1,700*	*84*	*78*	*87*	*43*
Other financial institutions and financial individual entrepreneurs	1	1	46	48	13,150	16,688	2	1	—	—	5	14	573	620	—	—	—	—
Non-financial institutions and non-financial individual entrepreneurs	922	902	2,514	2,171	29,663	28,792	1,738	1,616	1,011	912	5,350	5,070	7,522	7,311	322	298	104	107
Construction and property development	*10*	*12*	*61*	*84*	*1,003*	*1,097*	*38*	*33*	*5*	*5*	*158*	*205*	*165*	*159*	*4*	*4*	*7*	*9*
Construction of civil works	*49*	*45*	*192*	*188*	*2,664*	*2,568*	*102*	*96*	*66*	*66*	*275*	*246*	*251*	*220*	*11*	*10*	*11*	*10*
Other purposes	*863*	*845*	*2,261*	*1,899*	*25,996*	*25,127*	*1,598*	*1,487*	*940*	*841*	*4,918*	*4,619*	*7,105*	*6,932*	*307*	*284*	*87*	*88*
Large companies	*311*	*201*	*1,277*	*950*	*21,818*	*20,459*	*709*	*608*	*599*	*507*	*2,241*	*1,864*	*5,744*	*5,509*	*111*	*89*	*5*	*6*
SMEs and individual entrepreneurs	*552*	*644*	*984*	*949*	*4,178*	*4,668*	*889*	*879*	*341*	*334*	*2,677*	*2,755*	*1,362*	*1,423*	*196*	*195*	*82*	*82*
Other households and NPISHs	1,444	1,424	3,340	3,133	14,368	13,928	1,962	1,897	505	502	8,254	8,240	2,908	2,850	336	331	772	754
Housing	*1,097*	*1,106*	*2,419*	*2,425*	*12,040*	*11,788*	*1,533*	*1,501*	*399*	*402*	*6,725*	*6,792*	*2,360*	*2,331*	*271*	*272*	*641*	*633*
Consumer	*312*	*283*	*620*	*555*	*1,721*	*1,515*	*394*	*363*	*85*	*76*	*1,340*	*1,209*	*386*	*360*	*53*	*48*	*118*	*110*
Other purposes	*35*	*35*	*300*	*153*	*607*	*625*	*34*	*33*	*21*	*24*	*189*	*239*	*162*	*159*	*12*	*11*	*12*	*11*
TOTAL	**2,732**	**2,648**	**8,637**	**6,179**	**97,809**	**101,958**	**3,873**	**3,627**	**1,888**	**1,835**	**15,293**	**15,079**	**13,220**	**12,657**	**742**	**707**	**963**	**904**

(*)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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

Appendix XIII Agency Network

LUIS RAMON VIDAL JAMARDO
MARIA DEL MAR MUIÑO DIAZ
A E S T E S.L.
DURFERAL S.L.
IBERFIS GESTION FINANCIERA S.L.
PAULA REY FERRIN
ROCIO REY PAZ
MANUEL ABELENDA MONTES
JOSE ANDRES RAMOS SOBRIDO
ASESORIA LEMA Y GARCIA S.L.
GONZALO GONZALEZ MAYO
FRANCISCO MANUEL GOMEZ RODRIGUEZ
ANDRES LOPEZ GARCIA
CRISTINA ARDAO ESPUCH
DEBCO ESTRUCTURA PROFESIONAL S L P
FATIMA ROMERO FORMOSO
MIGUEL DIAZ GARCIA FUENTES
JULIAN CALVO FERNANDEZ
LUCIA MARTINEZ FERNANDEZ
RAUL ANTELO JALLAS
ENRIQUE DE AGUINAGA ANDREU
LAURA SOTOCA SANCHEZ
FRANCES Y BARCELO C B
ANGEL ENRIQUE EUGENIO CUBEROS
JUAN ENRIQUE CRESPO MARTINEZ
ALERCIA INTERNATIONAL WEALTH MANAGEMENT S.L.
PASTOR ARANDA CB
FERNANDO PEGUERO LANZOS
EASY MODE S C
AGENTES TRIBUTARIOS Y FINANCIEROS S.L.
GONZALO CASTEJON DE LA ENCINA
MONICA MIGUEL MOLINA
LUIS DURO DOMENE
JOSE BARTOLOME MARTINEZ MARTINEZ
JOSE JUAN LAFUENTE ALMELA
LUIS ALBERTO LARA GARCIA
JOSE MARIA TORRECILLAS BELMONTE
RAMON LINARES LOPEZ
JUAN MIGUEL ALARCON MOLINA
ALZO CAPITAL S.L.

VICENTE BELTRAN BENITEZ
SARA ROBLES ALONSO
JOSE IGNACIO ARIAS HERREROS
DAVID REYES HERNANDO
MIGUEL IZQUIERDO DOLS
VICENTE MONTESINOS CONTRERAS
GESTIO I ASSESSORAMENT OROPESA S.L.
IGNACIO VALLS BENAVIDES
MARIA JOSE MARTI AVILES
MARIA PILAR ESCRIG CASTAÑO
LEOPOLDO MARTINEZ BERMUDEZ
ANGEL ALEJANDRINO FERNANDEZ ALMANSA
GESTION FINANCIERA MIGUELTURRA S.L.
HELP CONTROL DE GESTION S.L.
CARLOS FERNANDEZ AYALA
PEDRO CRUCERA GARCIA
JOSE MARIA GUILLAMON CAMARERO
MARIA ISABEL CALVO SANCHEZ
MANUEL ANTONIO DE LAS MORENAS LOPEZ ASTILLERO
MARIA ISABEL MORENO SILVERIA
GESTITRAMI FINANCIAL S.L.
GREGORIO FLORES MOLERO
DORA MAIPU S.L.
VIRGINIA FENOY CRUZ
GONZALO CAMPOS BRAVO
MARIA VICTORIA VADILLO ALMAGRO
JAVIER CANALES FUENTE
DIEGO TORRES PARRA
NANOBOLSA S.L.
SERVICIOS FINANCIEROS AZMU S.L.
PEIO TELLECHEA ABASCAL
AITOR ZUBIZARRETA UNCETA
CRISTINA CEBALLOS URCELAY
RAMON GARCIA PEREZ DE ARRILUCEA
ASIER LARREA ORCOYEN
ANDER BENITO BARONA
ESTIBALIZ REBOLLO GARCIA
ISKANDER LOPEZ RUIZ
CANOVAS 1852 S.L.
POU ADVOCATS S L P

ALPHALYNX CAPITAL S.L.
JOSE RAMON MORSO PELAEZ
SAYAR Y RIVAS ASOCIADOS S.L.
RAFAEL RUBIALES REGORDAN
JOANNA OSTROWSKA
DAVID JIMENEZ BETANZOS
RAFAEL MARTIN CARLOSENA
REGINA MARIA ARESTI MUGICA
ASSET GROWTH XXI EAF SLU
LACMAC 2012 INVESTMENTS S.L.
ROCIO ARCONES GARCIA
GUILLERMO CARBO PRACHNER
PAPOI AND PARTNERS S.L.
BELRIVER PARTNERS S.L.
FRANCISCO JAVIER EUGERCIO HERRA
RICARDO BARRAL CASADO
TRYCICLO ADVISORS S.L.
ENDOR INVERSIONES S.L.
Q INVEST FAMILY OFFICE S.L.
JARAIZ SELECCION S.L.
BPRADOS ASESORES FINANCIEROS S.L.
DAVID ACEBES MAYA
PEDRO BARRIADA GARCIA
ALLIED CAPITAL S.L.
VALDELASIERRA ASESORES S.L.
ALDAVERO ROMERO INVERSIONES S.L.
ASESORES TRIBUTARIOS TEFICO S.L.
GONZALO CACERES SANCHEZ
SOCIEDAD COOP. AGRICOLA NTRA. SRA. DEL CARMEN.
SISTHEMA GESTION EMPRESARIAL S.L.
FRANCISCO JOSE GARCIA RODRIGUEZ
ALFONSO MARTINEZ PUJANTE
ISABEL GARRIDO GOMEZ
MARIA ISABEL PIÑERO MARTINEZ
PEDRO JOSE GARCIA LOPEZ
JUAN LOPEZ MARTINEZ
DOLORES MARIA RAMIREZ PEREA
FRANCISCO JAVIER GOMEZ CARRILLO
BEATRIZ MARIN ROBLES
JESUS FERNANDEZ LERGA GARRALDA

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

ASESORES Y CONSULTORES AFICO S.L.	ELENA NOVOSELOVA	ENRIQUE MATA SANTIN
ALZO SOLAR S.L.	ROBIPAL 2016 S.L.	CHILCO GESTION S.L.
MEDINA FINANZAS S.L.	MONTSERRAT GARCIA PUJADAS	MARIA LOPEZ GALINDO
CORCUERA ABOGADOS Y ASESORES DE PATRIMONIO S.L.	JOAN PARNAU BOSCH	MARCELINO DIAZ Y BARREIROS S.L.
LLANA CONSULTORES S.L.	MSJN FINANCIAL ADVISORS S.L.	JULIA OTERO ALVAREZ
ARMANDO GRANDA RODRIGUEZ DE LA FLOR	STRAFY 4 ASSET MANAGEMENT S.L.	BELEN FIRVIDA PLAZA
TARSIUS FINANCIAL ADVICE S.L.	MARTIN GUERRERO ARPI	LUCAS CRESPO GOMEZ
BEATRIZ INMACULADA JUNQUERA FRESCO	LLUIS CERVERA SABALLS	MARIA JOSE RODRIGUEZ PEREZ
ENRIQUE JUESAS FERNANDEZ	VICENC COMAS VICENS	SILVIA ATANES GONZALEZ
JUAN CARLOS RODRIGUEZ RODRIGUEZ	JUAN DIOS COBLER FERNANDEZ	MANUEL SALGADO FEIJOO
ALEXIA MARIA GONZALEZ LANZA	ESTHER MONTOYA CARRASCO	EVA MARIA FERNANDEZ CAMPO
LAFUENTE SERVICIOS EXTERNOS S.L.	ISAAC OLIVA RUIZ	MARIA ISABEL ARCOS PEIXOTO
INVERSIONES SUAREZ IBAÑEZ S.L.	FRANCISCO EULOGIO ORTIZ MARTIN	FINANZAS MAYOR PRINCIPAL S.L.
MARIA TERESA DE ZAYAS CAMPOS	GESTORA PAMASA S.L.	INVESTIMENTOS XURDE PABLO S.L.
JOSE LUIS GARCIA PRIETO	ANTONIO RUIZ SORIA	JULIO MOREIRA GARCIA
ALEJANDRO NUEVO DIAZ	VICTOR MANUEL FERNANDEZ PUERTAS	ASESORES E CONSULTORES GESCON S.L.
ANGEL GARCIA DESCALZO	ANTONIO JOSE PLEGUEZUELO WITTE	JOSE MANUEL LOPEZ IRIARTE
JAVIER PAZOS SANCHEZ	JUAN JOSE GARRIDO RODRIGUEZ	XESCONTA ASESORIA DE EMPRESAS SOCIEDAD LTDA.
SERBANASER 2000 S.L.	MARIA ESMERALDA RUIZ ALMIRON	RUFINO NIETO GONZALEZ
JUAN JOSE ORTIZ S.L.	INFOGES PYME S.L.	ALBERTO MARTIN NADAL
TOMAS SECO ASESORES S.L.	ANTONIO LOPEZ GARCIA	DIEGO LOPEZ PRO
BENALWIND S.L.	JUAN LORENZO S.L.	FRESNO CAPITAL S.L.
LUIS DONAIRE MOLANO	SERGIO GONZALEZ RUIZ	JAVIER ANTONIO GONZALEZ GOMEZ
ROLO GESTION E INVERSION SOCIEDAD LTDA.	JOAQUIN SALAMERO MORENO	IVAN PELAYO MARTIN
CARLOS LARA MARTINEZ	PEDRO RAFAEL MARTINEZ GARCIA	FERTAPDO S.L.
LEONARDO JAEN CLAVEL	PATRIAL S.A.	CRISTINA ACEBES PEREZ
ANGEL MAYA MONTERO	FRANCISCO GINE ABAD	RAFAEL JESUS DOMINGUEZ JARA
BEATRIZ MARIA PACHA PRIOR	LAURA GISTAU LATRE	ANTONIO GARCIA ALVAREZ REMENTERIA
ARTURO MARIA GOMEZ JUEZ	LINA CAYUELA	FRANCISCO JAVIER SERRANO DOMINGUEZ
DOMINGO SERRANO TEJADA	ASEFINSO SC	URBANSUR GLOBAL S.L.
ASESORES FINANCIEROS R V SABIO S L U	ALFREDO ABADIAS ANORO	ASESORES DE EMPRESA Y GESTION ADMINISTRATIVA MARIN MARIN S.L
JUAN CARLOS RODRIGUEZ HERNANDEZ	CREACIONES CARLINA S.L.	ESCRIVA DE ROMANI S.L.
JOSE ANTONIO PAREDES GOMEZ	FRANCISCO CAÑAS AYUSO	MANUEL LUIS DEL BARCO ASENCIO
CAPAFONS Y CIA S.L.	CANO Y MARTIN ASESORES FINANCIEROS S.L.	ACOFI S.L.
MONTSERRAT COSTA CALAF	GABINET OBRADOR TAULER S.L.	ISABEL SOTO DE PRADO
JOSE LUIS ORTUÑO CAMARA	ARCADIO INVERSIONES Y ASESORAMIENTO S.L.	JAIME PINEDA ALCALA
TIO CODINA ASSESSORS D INVERSIONS S.L.	INMACULADA MASCARO VECINO	JOSE CARLOS MOREJON ALTURA
AYCE CONSULTING S.L.	MARIA JESUS LOPEZ RASCON	EMPRENDE SERVICIOS FINANCIEROS S.L.
PUENTE B GESTION INTEGRAL S.L.	ASESORIA RANGEL 2002 S.L.	HECTOR JAVIER LAGIER MATEOS
INVERSIONES Y GESTION AINARCU S.L.	IVAN RODRIGUEZ CIFUENTES	ESPERANZA MACARENA POZO GONZALEZ

MEDONE SERVEIS S.L.	FRANCISCO JOSE PEÑUELA SANCHEZ S.L.	TOMAS RECIO CEÑA
CROWE LEGAL Y TRIBUTARIO BCN S L P	DANIEL FERNANDEZ ONTAÑON	MARIA ENCARNACION MARTINEZ MEZQUITA
MIQUEL VALLS ECONOMISTES ASSOCIATS S.L.	GESCOFI CFICINAS S.L.	MARIANO PELLICER BARBERA
MARESME CONSULTORS S.L.	LUIS ALBERTO GRAÑON LOPEZ	PILAR SAMPER CAMPANALS
CENTRE CORPORATIU INI 6 S.L.	CLUSTER ASESORES S.L.	JOSE JORGE CARBO ROYO
INVERSIONES GEFONT S.L.	GALARRETA Y PROVEDO S.L.	MARIA TERESA ESPALLARGAS MONTSERRAT
MARIANO DOMINGO BALTA	ANA CAÑAS BLANCO	JOSE CARCOLE ARDEVOL
FELIPE LABORDA CARNICER	ESTUDIOS FISCALES Y FINANCIEROS RIOJANOS S.L.	MARIA DOLORES SUBIRATS ESPUNY
ALEJANDRO PEREZ ANDREU	PABLO GOPAR MARRERO	FAMILYSF SALUFER S.L.
DIAZ Y FERRAZ ASOCIADOS S.L.	JUAN ALFONSO RAVELO RAMIREZ	MONTSERRAT TUTUSAUS LASHERAS
FRANCISCO GONZALEZ JIMENEZ	CANDELARIA DE LA TORRE DEL CASTILLO	MARIA PILAR CALVET REVERTE
JAVIER GARCIA LORENZO	INVERTIA SOLUCIONES S.L.	MIGUEL BELLO NAVARRO
MARQUES BARO S.L.	FINACO ASESORES S.L.	NURIA ROIG MARTORELL
FOGARPI SINERGIAS SLP	TEODOMIRO SANTANA GONZALEZ	JAUME PARES FONTANALS
KANOPA S.L.	MARCO MISTO	SERVEIS ALDOMA MAS S.L.
PROELIA S.L.	JUAN FRANCISCO DIAZ FLORES	OKAPI SES SALINES S.L.
LLUIS CASAS CASTELLA	REGINA DOMINICA VEGA RODRIGUEZ	MARCOS GIL TEJADA
JUAN ANTONIO ASTORGA SANCHEZ	PDCE CONSULTING DE EMPRESAS S.L.	SALVADOR CASELLAS GASSO
JOSEP GIBERT GATELL	FISCATEL CONSULTORES Y ASESORES SCP	ANNA MARIA CESARI MORA
TRUC PEBE SALLENT S.L.	OSCAR GARCIA OVALLE	ISABEL ALVAREZ CALDERON
JESUS MARTOS LOPEZ	MARBELLA CASADO RODRIGUEZ	LEONILA PLUS S.L.
DAVID SOTERAS MORERA	MIGUEL ANGEL LANERO PEREZ	NURIA NOGUERON MATAMOROS
JOAQUIN MALGOSA MORERA	RUBEN SANTOS MAYORDOMO	ABONA GESTION SERVICIOS INTEGRADOS S.L.
MATIAS LOZANO MARTIN	LETICIA ALONSO CUESTA	VICTOR MIGUEL PEREZ CORDOBA
JOSEFA FOLCRA MARTIN	ALBERTO GOMEZ MARTINEZ	CAYETANO MENDEZ HERNANDEZ
GERARD MARTINEZ ALCAÑIZ	ALBERTO BLANCO OVIEDO	RAMON JESUS GARCIA DIAZ
ASESORIA LIZARDI SL	ESTHER SIERRA SIERRA	ESTHER ANDREINA BITORAGE RANGEL
INVAL 02 S.L.	PERUCHET GRUP CONSULTOR D ENGINYERIA SCP	FERNANDO MARIA ARTAJO JARQUE
FRANCIAMAR S L U	RAMON CLAPES ESQUERDA	ASESORIA VELSINIA,S.L.
FAUSBE 2005 S.L.	ANNA DURAN VIDAL	GESTION ESTUDIO Y AUDITORIA DE EMPRESAS GEA S.R.L.
ASESORIA SAGASTIZABAL S.L.	MARIA TERESA SEGURA MASSOT	RAQUEL SANCHEZ MUÑOZ
AITOR REMENTERIA LECUE	MARIA CISTERO BOFARULL	ANA GAROZ DURO
EMASFA S.L.	CRISTINA MODOL RUIZ	MARIA ROSARIO CLIMENT MARTOS
FRANCISCO JAVIER NAVARRO UNAMUNZAGA	CRISTINA FARRE BOSCH	CARLOS GOMEZ EBRI
J RETA ASOCIADOS S.L.	AGRICOLA D´ALBATÀRREC SOCIETAT COOPERATIVA CATALANA LIMITADA	MUÑOZ VIÑOLES S.L.
SAENZ DE TEJADA ASESORES S.L.	MARIA ANGELS MIRO SALA	AMPARO ALBIÑANA BOLUDA
ASESORIA INFIS S.L.	ALBA ASENSIO REIG	FRANCISCO JOSE DIEGO MARTI
ARTI INVERSIONES Y PATRIMONIOS S.L.	NOELIA MARIA SINDIN RODRIGUEZ	SANTAMANS ASESORES LEGALES Y TRIBUTARIOS S.L.
MARTA MARIA GOMEZ DE MAINTENANT	JULIAN FERREIRA FRAGA	PABLO GAGO COMES
MARIA VICTORIA AROSTEGUI ARGALUZA	MIRIAN RODRIGUEZ OTERO	PERELLO Y TOMAS S.L.

INVERSIONES IZARRA 2000, S.L.	FRANCISCO JOSE PAZ GRANDIO	EZEQUIEL AND SANCHEZ CONSULTORES S.L.
FERNANDO M ORTEGA ALTUNA	MARIA CRISTINA FERREIRO GARCIA	GESTAE VALENCIA S.L.
TELEMEDIDA Y GAS S.L.	DORLETA LOPEZ LOPEZ	JUAN LUIS CU AT ALVAREZ OSSORIO
YBIS XXI S.L.	ANABEL VARELA PAZ	MEDITERRANEA BLAVA S.L.
ALDAIA 94 S.L.	SILVIA LOPEZ PARDO	G F CONSULTORIA DE EMPRESAS SDAD. LTDA.
BEGOÑA MONICA FERNANDEZ QUILEZ	MARIA ISABEL GONZALEZ ALVAREZ	NURIA VAZQUEZ CARRASCO
FRANCISCO JAVIER SMITH BASTERRA	MARIA LOPEZ PEREZ	RAFAEL CLAVER GIMENO
SERGIO DIENTE ALONSO	ACREMUN S.L.	JOAN ALBERT ROS
JOSE IGNACIO DE PRADO MANEIRO	MORILLO-MUÑOZ CB	GUTIERREZ DE GUEVARA S.L.
NAGORE LOMBIDE HERNANDEZ	OFICINAS EMA S.L.	JUAN CARLOS DUQUE MEDRANO
MARIA GUTIERREZ FERNANDEZ	AULES ASESORES S.L.	FRANCISCO JAVIER REZA MONTES
FRANCIAMAR GORLIZ S.L.	TRINIDAD CASTRILLO PEREZ	BAY NAMRATA S.L.
CONSEJEROS Y PROYECTOS DE GESTION S.L.	PERALTA Y ARENSE ASESORES Y CONSULTORES S.L.	VIRGINIA GARCIA DEL HOYO
LEIRE TERRADILLOS PEREZ	MONTE AZUL CASAS S.L.	JOSE ANTONIO SANCHEZ SANCHEZ
FRANCIAMAR AREATZA S.L.	MARIA MILAGROS GANDARA DUQUE	BLANMED ASESORES SOCIEDAD COOP.
JULIO MARCO MORERA CELDRAN	ANAIS BEATRIZ DE LA FUENTE TORRES	IVAN CALLES VAQUERO
ALVARO FUENTE VILLARAN	PV1 S.L.	ANTONIO DAVILA RUEDA
SIRA ASUNCION ORUE BARASOAIN	CLUB AVOD S.L.	MARTA GIL USON
EMILIO GUSTAVO GONZALEZ GUTIERREZ	GABINETE JURIDICO FINANCIERO SERRANO S.L.	JESUS ARIZA GIL
MIGUEL JOSE FERNANDEZ MARDOMINGO BARRIUSO	RAFAEL SOTO PASTOR	IBERBROKERS ASESORES LEGALES Y TRIBUTARIOS, S.L.
GESTION Y SERVICIOS SAN ROMAN DURAN S.L.	VIVIAL ASESORAMIENTO Y ALQUILER S.L.	RENTA INMOBILIARIA ARAGONESA S.L.
JUSTO GONZALEZ GARCIA	ALTEX PARTNERS S.L.	JESUS GASCON VAL
REBECA GUTIERREZ FERNANDEZ	ASESORIA Y GESTION DE PATRIMONIOS DE ENTIDADES RELIGIOSAS S	DARIO ALFONSO GINES LAHERA
CONSTANTINO GARCIA FONDON	MITJAVILA Y ASOCIADOS ESTUDIO JURIDICO FISCAL S.L.	JESUS ANGEL ZUECO GIL
ARANE PROMOCION Y GESTION S.L.	MARIA ISABEL HERNANDEZ SANCHEZ	ACERTIUS SUMA CAPITAL SOCIEDAD LTDA.
CENTRO ASESOR MONTEHERMOSO S.L.	RICARDO BALSEIRO PEREZ DE VILLAR	WORKUP ASESORES S.L.
SALOR XVI CB	ANTONIO FERMIN LUNA GARCIA MINA	NOELIA TORRELLAS GRAMAJE
JUAN FRANCISCO CIUDAD BRONCANO	BORJA POLO PRIETO	DIEZ AMORETTI S.L.
JORGE LUIS RAMOS ROMAN	ALVARO CHAVARRI GONZALEZ	ARAN PALLARS ASSESSORS S.L.
FRANCISCO JAVIER SANCHEZ PARRA	ANDISARU S.L.	TERESA VERNET VILLAGRASA

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.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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 associate: 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 expenses	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.
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.
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.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

BBVA

Creating Opportunities

Management Report

BBVA 2021

Contents

1. BBVA in brief

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the "Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain.

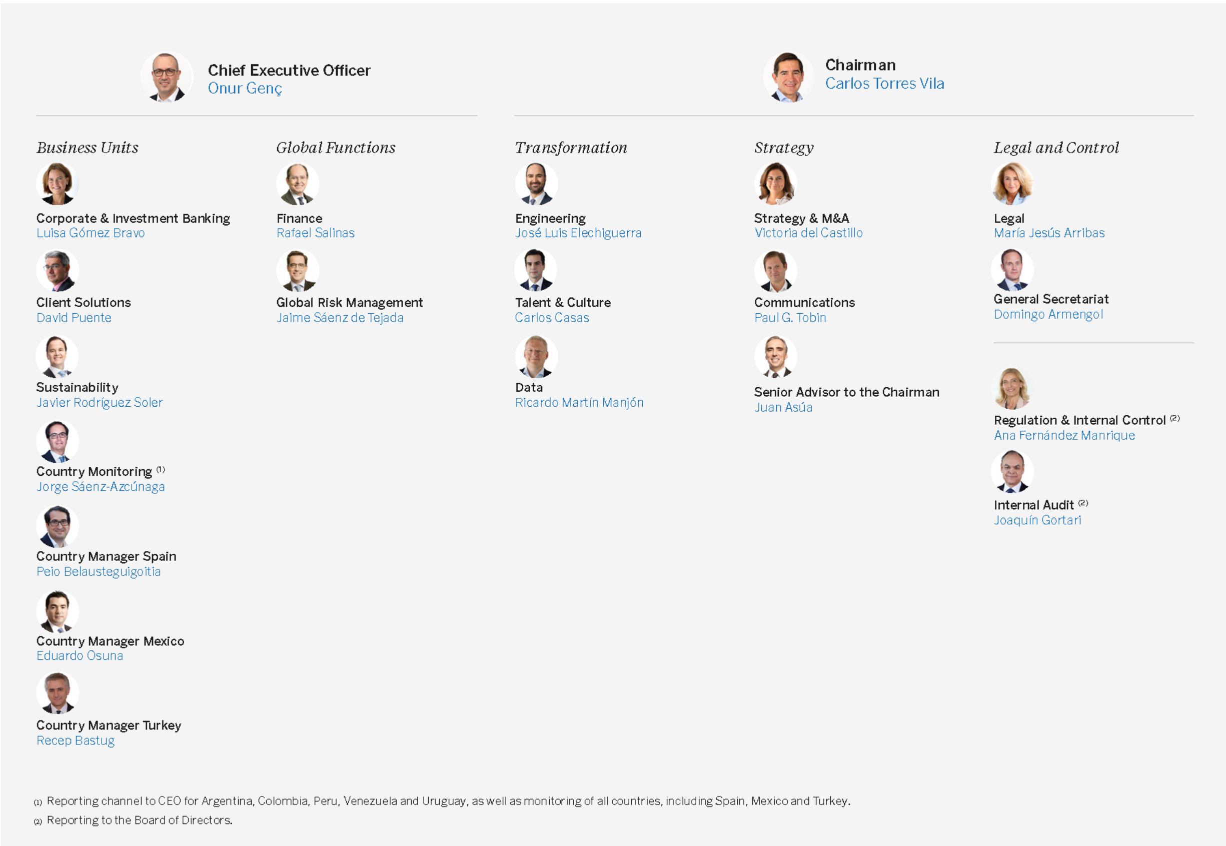
BBVA S.A is a bank founded in 1857 and constitutes the parent company of the BBVA Group, a global financial services group with a vision focused on the customer and significant presence in the traditional banking business of retail banking, asset management and wholesale banking.

Its purpose is to bring the age of opportunities to everyone. This purpose is based on customers' real needs: providing the best solutions and helping them make the best financial decisions, through an easy and convenient experience. The entity is based on solid values: customer comes first, we think big and we are one team.

The Bank has a solid position in Spain and, for its development activity and carries out its activity through branches and agencies in more than 15 countries.

BBVA, S.A., as the parent company of the BBVA Group, operates internationally, which is why it is affected by economic and regulatory trends in all the geographical areas where it operates through the entities of the BBVA Group. More information related to the economic and sector environment and perspectives, as well as a summary of the significant aspects of the regulatory environment, are included in the chapter "Macroeconomic and regulatory environment" of the BBVA Group Consolidated Management Report.

Organizational Chart



2. Non-financial information report

In accordance with the provisions of the Commercial Code and the Capital Companies Law, this "Non-financial information report" includes, among other matters: the information necessary to understand the performance, results and situation of the Bank; and the impact of its activity with respect to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as regarding employees. This Non-financial information report of Banco Bilbao Vizcaya Argentaria, SA, which forms part of its Individual Management Report, includes references to the sections of the Consolidated Non-Financial Information Report included in the BBVA Group Consolidated Management Report when these sections contain additional and complementary information to obtain a better understanding of the Bank, the BBVA Group and their respective actions in the matters described above.

For the publication of the key indicators of non-financial results, the guide of the Global Reporting Initiative (hereinafter, GRI) has been followed as an international information framework in its selected GRI option, as well as the Communication of the European Commission of July 5 of 2017 on Guidelines on non-financial reporting (Methodology for reporting non-financial information, 2017/C 215/01). In preparing the non-financial information contained in this Non-financial information report, the Bank has carried out, in accordance with this framework, a materiality analysis that has allowed it to identify the most relevant aspects on which to inform its stakeholders. For more information on the materiality analysis that has been carried out at BBVA Group level, and which then also applies to the Bank, see the section "Materiality Analysis: the most relevant issues for stakeholders and for BBVA" within the chapter " Our stakeholders" of the BBVA Group Consolidated Management Report.

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

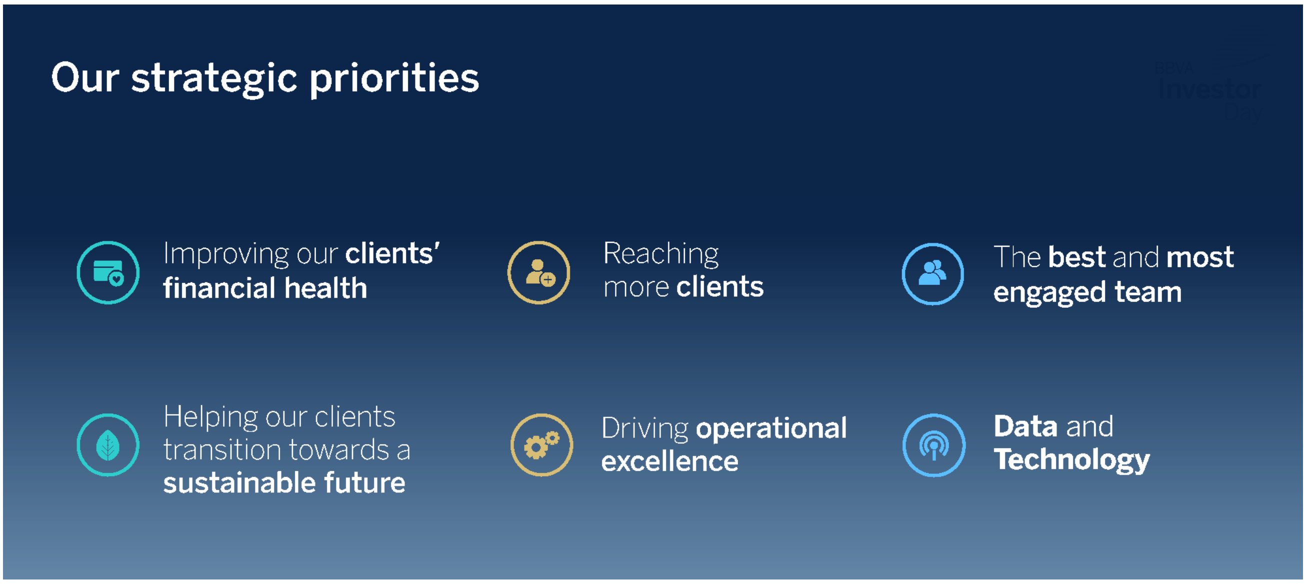
2.1 Information on strategy and objectives

BBVA's strategy and business model comprises the Group as a whole, including BBVA,S.A.

At the end of 2019, BBVA approved its current strategic plan, which anticipated many of the main global trends that have been accelerated by to the pandemic. Trends such as 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 a real era of 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 behavior, 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[1], 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.



[1] OCDE/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.

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).

For additional information on the financial and business objectives for the coming years in terms of efficiency, profitability, the creation of added value for the investor, growth in customers and channeling sustainable financing of the BBVA Group (which therefore includes the Bank), as well as the main advances in the execution of the strategic priorities previously described, see section "Strategy" of the Consolidated management report of BBVA Group.

2.2 Information on 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

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 internalization 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.

As of December 31, 2021, BBVA has maintained its leadership under the NPS retail in Spain, standing at first position. With respect to NPS SME, BBVA raised from third to second position and under NPS commercial, BBVA has gone down from second to third position.

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.

In 2021, the Bank 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 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 the data as of December 2021, BBVA is a leader in NTCRS in Spain.

Behavior with customers

BBVA´s Code of Conduct establishes the guidelines for conduct, in line with the internal values of the Bank.

BBVA counts on policies and governance procedures 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 safety and protection

For BBVA security of information is one of the key aspects of its digital transformation. In this sense, 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.

These new initiatives improve the protection of BBVA customers. 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.

Cybersecurity

The 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 and across various countries.

Security in business processes and fraud

Cybersecurity efforts 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 to oversee the evolution of all external and internal fraud types in all countries where the Group operates exists.

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 facts, events and fraud 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 Bank'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 transition 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

Complaints and claims

The Customer Care Service in compliance with European claims guidelines established by the relevant authorities. ESMA (European Securities Market Authority) and EBA (European Banking Authority) has continued to work during 2021 on preventing from recurring problems, either systemic or potential, of the Entity. The activity of the Customer Care Service goes beyond merely managing claims, but rather, it works in preventing and anticipating from them and in cooperation with other BBVA departments, leading the development of plans which would prevent from the response to situations likely to turn into a claim.

Year 2021 has continued to be affected by the consequences of the COVID-19 pandemic. Although these difficulties, this Service has maintained its function as a safeguard for the customers and the Entity. Thus, activity levels as well as a careful respect on the timing for response which is obliged to have been maintained.

The volume of claims in 2021 increased to 78% compared 2020, mainly as a result of the increased number of claims related to account settlement fees. The average claim resolution time is 11 days[2], well below the required legal term. There were no substantiated claims related to privacy violations and client data loss, turned before the supra-banking authorities, thanks to the policies as well as the preventing and control measures of the risk, which may arise from client data leakage.

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 179,061 cases in 2021. In the same period 182,831 were resolved by the Customer Care Service itself (including claims pending at the close of 2020). Pending analysis are 2,991 claims as of December 31, 2021, and 20,786 cases were not admitted to processing due to a failure to comply with the requirements of OM ECO/734.

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[2] The claims taken into account for the calculation of the average resolution time include the claims resolved during 2021, including claims which were pending to be resolved at the end of 2020.

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (BBVA, S.A. PERCENTAGE)		
Type	**2021**	**2020**
Resources	52	39
Assets products	18	27
Collection and other services	3	4
Financial counselling and quality service	3	5
Credit cards	14	17
Securities and equity portfolios	1	1
Other	9	7
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)		
	2021	**2020**
In favor of the person submitting the complaint	94,395	44,066
Partially in favor of the person submitting the complaint	17,123	12,421
In favor of the BBVA Group	71,313	36,002
Total	**182,831**	**92,489**

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, 2,314 claims were filed at the Customer Ombudsman Office (compared to 3,849 in 2020). Of these, 46 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 101 were pending as of December 31, 2021.

57.05% of customers who brought claims before the Customer Ombudsman during the course of the year obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman Office in 2021. Customers who are not satisfied with the Customer Ombudsman's response can go to the official supervisory bodies (the Bank of Spain, the CNMV and General Directorate of Insurance and Pension Funds). 236 claims were filed by customers to supervisory bodies in 2021.

The Bank 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 Bank 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, and
- 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 (BBVA, S.A. NUMBER)		
Type	**2021**	**2020**
Insurance and welfare products	2	3
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	**2,314**	**3,849**

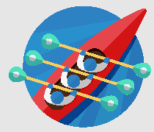
The categorization of the claims managed in the previous table follows the criteria established by the Complaints Department of the Bank of Spain, in its requests for information.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)		
	2021	**2020**
Formal resolution	—	—
Estimate (in whole or in part)	1,456	1,788
Dismissed	1,050	1,790
Processing suspended	—	—
Total	**2,506**	**3,578**

2.3 Information on employees

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 Bank 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, managed by Gallup. which has granted to BBVA 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.
- 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, 234 professionals joined the Bank 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, S.A. NUMBER)

	2021			2020		
	Total	Male	Female	Total	Male	Female
Total	**729**	**299**	**430**	**1,205**	**431**	**774**
Of which new hires are [(1)]:	234	132	102	156	97	59

(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.

Training[3]

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 19,941 employees from all geographies to assess the usefulness of the content.

The solidity and level of implementation of the training model across the Bank 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 73%) 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 8,000 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 BBVA for the bank of the future have been defined.

[3] The quantitative data in the "Training" section corresponds to the employees of BBVA, S.A. in Spain.

Through these expeditions, the professionals have focused on extending their knowledge and training on more strategic subjects for the Group. In 2021, more than 18,970 professionals have completed 273,477 hours of training on subjects related to sustainability, cybersecurity, data, Agile, design and the behavioral economy.

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, 50,963 hours of training were completed (53% more than in 2020) and over 13,545 professionals have taken part in a sustainability-related training initiative. Moreover, 5,503 employees have exceeded the EFPA-ESG (European certifier) and IASE ISF1 (international certifier) certifications.

BASIC TRAINING DATA (BBVA, S.A.)

	2021	2020
Total investment in training (millions of euros)	21.6	14.3
Investment in training per employee (euros) (1)	1,019.0	572.2
Employees who received training (%)	99.0	92.5
Satisfaction with the training (rating out of 10)	9.2	9.4
Amounts received from FORCEM for training in Spain (millions of euros)	1.5	1.2

(1) Ratio calculated considering the BBVA´s workforce at the end of each year (21,194 in 2021 y 24,940 in 2020).

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2021)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team (1)	934	680	254	34,364	23,771	10,593
Middle controls	1,993	1,217	776	79,705	46,469	33,236
Specialists	5,065	2,584	2,481	213,088	107,204	105,885
Sales force	10,912	4,662	6,250	583,414	244,470	338,944
Base positions	1,037	489	548	39,371	17,812	21,559
Total	**19,941**	**9,632**	**10,309**	**949,942**	**439,725**	**510,217**

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

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2020)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team (1)	938	704	234	20,868	15,541	5,327
Middle controls	1,957	1,207	750	42,604	26,486	16,118
Specialists	5,337	2,798	2,539	131,875	69,341	62,535
Sales force	12,605	5,436	7,169	587,027	246,212	340,815
Base positions	2,227	1,124	1,103	48,989	21,739	27,251
Total	**23,064**	**11,269**	**11,795**	**831,364**	**379,319**	**452,045**

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

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.

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.

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 transsexual 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).

As all the companies of the Group, the Bank has 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 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 175 people with different capacities on the Bank's staff (152 in 2020).

EMPLOYEES BY COUNTRIES AND GENDER (BBVA, S.A. NUMBER)

	2021			2020		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	20,186	9,756	10,430	23,971	11,714	12,257
The United States	197	121	76	161	100	61
France	66	42	24	68	44	24
United Kingdom	118	80	38	118	85	33
Italy	51	29	22	49	27	22
Germany	41	27	14	42	26	16
Belgium	22	13	9	22	13	9
Portugal	360	181	179	367	184	183
Hong Kong	90	54	36	80	46	34
China	28	6	22	28	8	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
Cuba	1	1	—	1	1	—
Total	**21,195**	**10,325**	**10,870**	**24,940**	**12,262**	**12,678**

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA, S.A. YEARS AND PERCENTAGE)

	2021				2020			
	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Total	**45.2**	**0.2**	**52.7**	**47.1**	**45.3**	**0.3**	**52.6**	**47.2**

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. PERCENTAGE)

	2021			2020		
	Total	Male	Female	Total	Male	Female
Management team (1)	4.9	73.2	26.8	4.3	75.3	24.7
Middle controls	10.2	61.8	38.2	8.9	62.9	37.1
Specialists	26.2	50.8	49.2	24.2	52.1	47.9
Sales force	53.5	43.1	56.9	52.8	43.4	56.6
Base positions	5.2	47.4	52.6	9.9	49.3	50.7
Total	**100.0**	**48.7**	**51.3**	**100.0**	**49.2**	**50.8**

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

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA, S.A. PERCENTAGE)

	2021			2020		
	Total	Male	Female	Total	Male	Female
Permanent employee full-time	97.8	49.7	50.3	97.2	50.3	49.7
Permanent employee part-time	2.2	5.4	94.6	2.0	4.8	95.2
Temporary employee	—	—	100.0	0.8	28.1	71.9
Total	**100.0**	**48.7**	**51.3**	**100.0**	**49.2**	**50.8**

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND AGE STAGES (BBVA , S.A. PERCENTAGE)

	2021				2020			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Permanent employee full-time	97.8	0.2	52.2	47.7	97.2	0.2	51.8	48.0
Permanent employee part-time	2.2	—	77.8	22.2	2.0	—	79.2	20.8
Temporary employee	—	40.0	60.0	—	0.8	8.1	81.9	10.0
Total	**100.0**	**0.2**	**52.7**	**47.1**	**100.0**	**0.3**	**52.6**	**47.2**

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND TYPE OF CONTRACT (BBVA, S.A. PERCENTAGE)

	2021			2020		
	Permanent employee full-time	Permanent employee part-time	Temporary employee	Permanent employee full-time	Permanent employee part-time	Temporary employee
Management team [(1)]	99.7	0.3	—	99.6	0.4	—
Middle controls	99.0	1.0	—	98.7	1.2	0.1
Specialists	98.1	1.8	0.1	98.1	1.8	0.1
Sales force	97.2	2.8	—	96.9	2.3	0.8
Base positions	97.9	2.1	—	93.8	2.3	3.9
Media BBVA	**97.8**	**2.2**	**—**	**97.2**	**2.0**	**0.8**

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

In 2021, the annual average of full-time permanent contract, part-time permanent contract and temporary contract was 97.6%, 2.0% and 0.4%, respectively (in 2020, 97.2%, 2.0% and 0.8%, respectively).

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

	2021			2020		
	Total	Male	Female	Total	Male	Female
Retirement and early retirement	628	381	247	744	463	281
Voluntary redundancies	35	14	21	58	28	30
Resignations	230	145	85	124	72	52
Dismissals	22	15	7	64	35	29
Others [(1)]	3,566	1,686	1,880	1,226	404	822
Total	**4,481**	**2,241**	**2,240**	**2,216**	**1,002**	**1,214**

(1) Others include permanent termination and death.

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

	2021				2020			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Management team [(1)]	5	—	—	5	13	—	2	11
Middle controls	2	—	—	2	9	—	6	3
Specialists	2	—	1	1	27	—	19	8
Sales force	10	—	7	3	12	—	5	7
Base positions	3	—	1	2	3	—	—	3
Total	**22**	**—**	**9**	**13**	**64**	**—**	**32**	**32**

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

Working environment

BBVA continues to make progress in its transformation process, anticipating and redefining the aspects which are key for motivating and protecting its teams, and making it easier for them to work together. Below are the actions and/or policies implemented by the Group 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.

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.

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.

Health and labor 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.

Thus, the occupational risk prevention model in Spain 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, 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.

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.

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.

OCCUPATIONAL HEALTH MAIN DATA (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
Number of withdrawn	6,719	8,424
Total number of absenteeism hours(1)	2,042,934	2,556,743
Number of accidents with medical withdrawn (2)	34	50
Absenteeism rate (%)	3	4

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

(2) *In itinere* accidents are not included.

Spain itself did not register any case of occupational disease. The number of accidents was 103, of which 34 entailed medical leave and 69 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.

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.

n 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.

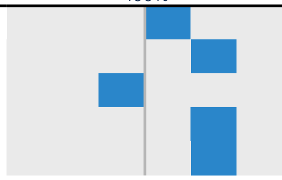
(3) The 2021 targets were approved at the beginning of 2021. At that time, despite the context marked by the high impact of the economic crisis originated by COVID-19 and the high uncertainty regarding the prospects for recovery, the Corporate Bodies determined targets for the calculation of the 2021 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.

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.

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



Below is the table showing the average remuneration of employees in BBVA, S.A.:

AVERAGE REMUNERATION [1] BY PROFESSIONAL CATEGORY [2], AGE STAGES AND GENDER (BBVA, S.A. 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]	—	—	124,305	102,534	126,969	115,371	—	—	117,028	98,911	122,571	112,633
Middle controls [3]	—	—	75,291	68,416	79,122	69,914	—	—	72,350	65,424	76,116	70,283
Specialists	53,657	54,944	45,275	42,446	51,908	48,345	40,042	36,393	44,723	42,117	52,032	48,548
Base positions	29,421	30,195	36,018	35,577	46,378	43,107	25,661	25,503	34,470	34,743	46,579	43,573

(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 category does not include 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.

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 49 of the accompanying 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 €1,383 thousand for men and €1,244 thousand 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 Bank.

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 Bank.

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. Bank’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, the salary gap by professional categories of equal value is 3.5%[4], which is lower than in the previous year.

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 about remuneration

Annual total compensation ratio

The annual total compensation ratio is calculated for the employees of BBVA, S.A. located in Spain as the ratio between the annual total compensation (fixed remuneration plus accrued variable remuneration and contributions to pensions) of the highest paid person 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.

In 2021, the annual total compensation ration stood at 129, increasing from 80.9 as of December 2020, due to the fact that the best paid person in each geographic area had relinquished their variable remuneration corresponding to the 2020 financial year, which contributed to a lower 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 and the percentage increase in the median total annual compensation (fixed compensation plus accrued variable compensation and pension contributions) of all employees, 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, because the best paid person had relinquished their variable remuneration for 2020. 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.

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 Spain which each employee has a right to be remunerated for services rendered. 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 2021, the entry-level remuneration of BBVA S.A. in Spain was 1.4 times higher than the local legal minimum wage for both men and women, maintaining the same ratio as the previous year.

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 Bank 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 Bank 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 in 2021 (€1,186 for men and €918 for women), compared with €1,076 in 2020 (€1,224 for men and €932 for women).

Volunteer work

In its Corporate Social Responsibility (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.

[4] 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 Bank.

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.

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

Overall, 1,884 employees of the Bank participated in the volunteer work initiatives promoted by the Group in 2021, having dedicated 6,000 hours (17% during working hours and 83% outside working hours). The time dedicated by employees in 2021 is equivalent to a contribution of €51,774.

2.4 Information on 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 established by the BBVA Group: 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 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 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 understands the integration of ethical, social and environmental factors in the supply chain as part of its duties. Thus, 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 Bank's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- Efficiency: contributing to the Bank's efficiency by the proactive management of costs and suppliers.

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA SPAIN)

	2021	2020
Number of suppliers (1)	1,040	1,138
Volume provided by suppliers (millions of euros) (1)	2,191	2,169
Average payment period to suppliers (days)	35	49
Suppliers satisfaction index (2)	82	n.a
Number of approved suppliers (3)	1,350	1,238

n.a. = not applicable.

(1) Payments to third parties. Suppliers lower than €100.000 are not included.

(2) Suppliers Net Promoter Score. Obtained from a satisfaction survey carried out each 2 years for the Group's suppliers with grants of more than €10.000 and a turnover of more than €100.000. It is calculated by the difference between the average of promoters, who have answered 9 and 10 up to 10 to the question if they would recommend working with the Procurement area, and the average of detractors, whose answers to the same question have gone from 1 to 6.

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

The average period payment to suppliers during the year 2021 is 35 days, below the maximum legal limit of 60 days established by Law 15/2010 of July 5, for which measures are put into place combating late payment in commercial transactions, well beyond 2020 data (49 days). The calculation of the average period for payment was made as established in the Act.

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 BBVA'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 ended implementation 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 Bank 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 BBVA'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 97.9%.

As of December 31, 2021, 97.6% of the total number of BBVA suppliers (representing 90.7% 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.

2.5 Information on social matters

Contribution to 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".

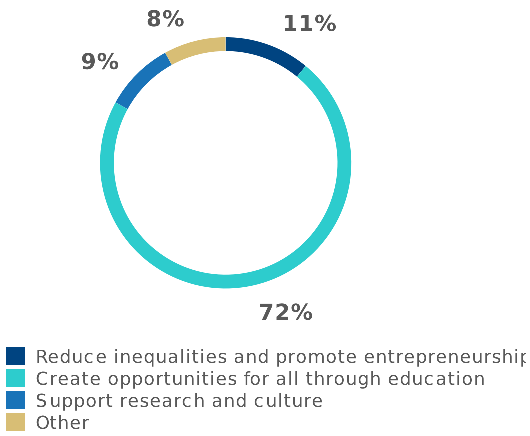
Community Commitment

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).

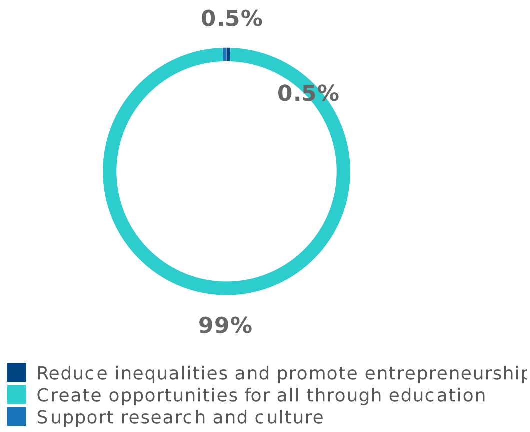
BBVA puts this community contribution pledge into practice through its local banks and foundations, as well as supporting other foundations such as the BBVA Foundation (FBBVA) and the BBVA Microfinance Foundation (FMBBVA). The foundations play a key role in this respect through their community investment.

In 2021, the BBVA Group allocated €19.97m to investment in the community, with 13.7 million beneficiaries.

COMMUNITY INVESTMENT BY FOCUS OF ACTIONS. 2021



BENEFICIARIES OF COMMUNITY INVESTMENT BY FOCUS OF ACTIONS. 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, €2,28m were allocated to initiatives designed to reduce inequality and promote entrepreneurship, impacting on SDG 8 and SDG 10. A total of 46,505 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 €1.38m and benefited directly 24,693 people. In particular, it has trained 12,624 people in financial education, field of action in which BBVA has a long-term commitment, investing €18m and benefiting 9.7 million people in a variety programs since 2008.
- 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 business. In 2021, 2,808 people have benefited directly and 19,004 have had access to content related to supporting entrepreneurship.

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 €14.28m in educational initiatives benefiting 13.62 million people. Specifically, BBVA has contributed to the quality education of 77,141 people which participated in educational programs. 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 €535,664 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 14,665 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, €1.26m were invested in this line of action, and 46.189 people benefited from it in Spain.
- Offer a quality, accessible and useful education for all. In 2021, €12.48m was invested in this line of action, benefiting directly 16,287 persons, and more than 13.5 million people had access to current content related to education, finance, sustainability, science and innovation, etc., through programs such as "Aprendemos Juntos" (Learning Together) 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 2021, BBVA allocated €1.74m to help provide access for 30,160 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, 94 people received financial assistance for the development of their research or cultural creations. Additionally, 1,622 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, 362 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 total, 28,082 people have had access to culture through BBVA's collaboration with these entities.

Other contributions to society

BBVA's community support extends to other important activities, such as volunteer work (more information in the chapter "Information on employees"), 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). For more information on the participation in international initiatives of the BBVA Group, see the section “Participation in International Initiatives” within the chapter “Report on climate change and other environmental and social issues” of the BBVA Group Consolidated Management 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 €11.22m. In 2021, the BBVA Group made:

- 97 donations to foundations and non-profit organizations for an amount of €6.02m, including both one-off contributions and those which contribute to social programs.
- 258 contributions, of a non-social nature, to foundations, associations, lobbies, think-tanks and other non-profit entities for an amount of €5.20m.

Compliance

The BBVA Group's commitment to carrying out all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict standards of ethical behavior, with a detailed description of the key elements of its compliance system (such as Mission and scope of action, Organization, internal governance and management model as well as the established policies and procedures, among other things) as well as the procedures, processes and policies applicable in matters of conduct in the securities markets, the protection of personal data, other standards of conduct and the criminal prevention model are described in the "Compliance" section within the Chapter "Our stakeholders" of BBVA Group's Consolidated Management Report and are developed in the Bank through local functions in Spain.

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 Bank 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. 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.

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.

In 2021, BBVA Group resolved 4,621 investigation files that resulted in 2,629 reports of suspicious transactions sent to the corresponding authorities.

In the area of training related to AML, BBVA,S.A. 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, 3,729 attendees participated in AML training activities; this figure includes 2,134 employees belonging to the most sensitive groups from the perspective of AML, who received an enhanced level of training.

Anti-corruption information

In relation to the evaluation of the risk of corruption in the Bank, different types of operations have been evaluated (i) 36,709 operations out of a total of 37,038 (99.1%) in relation to the PBC risk (to see the number of communications made to the corresponding authorities see previous section); (ii) regarding the risk of internal fraud, a total of 1,354 operations out of a total of 1,356 (99.9%) have been analyzed.

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 19,172 (88.9%) employees in Spain.

Tax contribution

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.

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 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.

Total Tax Contribution of BBVA in Spain (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.

GLOBAL TAX CONTRIBUTION (BBVA ESPAÑA. MILLIONS OF EUROS)

	2021	2020
Own taxes	996	146
Third-party taxes	1,067	1,176
Total tax contribution	**2,063**	**1,322**

Offshore financial centers

As a result of the express policy on activities in permanent establishments domiciled in offshore financial centers, the Bank closed in 2018 the branch it had in the Cayman Islands and, therefore, does not have activities in offshore financial centers.

Other tax information by countries

TAX INFORMATION BY COUNTRIES (BBVA, S.A. MILLIONS OF EUROS)

	2021				2020			
	CIT payment cash basis(***)	CIT expense	PBT(*)	Subsidies	CIT payment cash basis(***)	CIT expense	PBT(*)	Subsidies
Spain (**)(****)	86	560	1,286	—	(701)	36	(2,448)	—
Of which:								
Tax Group	—	*16*	*1,041*	—	—	—	*568*	—
Subsidiaries	—	*21*	*658*	—	—	*11*	*673*	—
Impairment of Garanti	—	—	*(877)*	—	—	—	*(288)*	—
Impairment of BBVA USA	—	—	—	—	—	—	*(2,408)*	—
The United States	10	22	135	—	20	17	70	—
United Kingdom	8	8	61	—	5	3	40	—
Hong-Kong	8	9	57	—	8	5	31	—
Italy	28	16	52	—	8	20	65	—
Portugal	4	15	47	—	4	14	40	—
France	7	9	42	—	13	3	14	—
Germany	26	5	26	—	26	8	23	—
Singapore	2	3	18	—	1	2	11	—
Belgium	—	—	4	—	—	—	4	—
Taiwan	—	(1)	(2)	—	—	—	1	—
Japan	—	—	(1)	—	—	—	—	—
China	—	—	1	—	—	—	2	—
Switzerland	4	—	—	—	10	—	—	—
Chile	2	—	—	—	2	—	—	—
Colombia	2	—	—	—	3	—	—	—
Paraguay	10	—	—	—	—	—	—	—
Peru	3	—	—	—	3	—	—	—
Total	**202**	**646**	**1,726**	**—**	**(598)**	**36**	**(2,147)**	**—**

(*) PBT: Profit before tax.

(**) Including dividends from foreign subsidiaries which are taxed in their home country. See Note 4 of Dividends of the Financial Statements.

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

(****) The PBT 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 the heading "Profits (losses) after taxes from discontinued operations ". Likewise, the balance of "Corporate tax expense" in Spain is highly conditioned because it includes the tax effects associated with the sale of the US, which is classified in the income statement under the heading "Profits (losses) after tax from discontinued operations".

The total gross margin of the Bank 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 2020, the BBVA Group has not received any significant public aid allocated to the financial sector intended for the promotion of banking activity, as mentioned in Appendix XIII -Annual Banking Report of the Consolidated Financial Statements of BBVA Group.

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 Corporate Social Responsibility 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.

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. In the complaints received through this channel, there are no human rights violations attributable to the Bank as of December 31, 2021.

For more information on a new human rights due diligence process in order to prevent, mitigate and remedy potential impacts on human rights (in line with the United Nations Guiding Principles on Business and Human Rights), which the BBVA Group carried out in 2021, see the section "Commitment to Human Rights" within the chapter "Our stakeholders" of the BBVA Group Consolidated Management Report.

2.6 Report on climate change and other environmental and social issues

The fight against climate change represents one of the greatest disruptions in history, with extraordinary economic consequences, to which all actors (governments, regulators, companies, consumers and society in general) have to adapt.

Climate change and the transition to a low-carbon economy have relevant implications for the value chains of most productive sectors, and may require significant investments in many industries. However, technological advances around energy efficiency, renewable energies, efficient mobility or the circular economy represent a source of new opportunities for everyone.

On the other hand, customers, markets and society as a whole not only expect large companies to create value, but also expect them to contribute positively to society, especially that the economic development to which they contribute with their activity is inclusive.

BBVA is aware of the outstanding role of the banking sector in this transition towards a more sustainable world through its financial activity. It has adhered to the Principles of Responsible Banking promoted by the UN, the Katowice Commitment and the Collective Commitment to Climate Action, and is willing to play a relevant role, as society demands, and help its clients in the transition towards that sustainable future.

In 2021, BBVA has obtained the highest score (89 points) among world banks[5] 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.

As a financial entity, BBVA has a direct impact on the environment and society, through the use of natural resources and the relationship with its stakeholders; and indirectly, the most relevant, through its credit activity and the projects it finances.

In accordance with the provisions of Law 7/2021, of May 20, on climate change and energy transition (hereinafter, Law 7/2021), BBVA presents a report (hereinafter, Report on climate change of BBVA Group) which includes, among other issues: the governance structure of the organization, the strategic approach, 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 associated risks and opportunities to climate change, the processes of identification, evaluation, control and management of climate-related risks and the metrics, scenarios and objectives used to assess and manage the relevant risks and opportunities related to climate change.

This Report on climate change of Banco Bilbao Vizcaya Argentaria, SA, which forms part of its Individual Management Report, includes by reference the sections of the Consolidated Report on climate change which is included in the BBVA Group Consolidated Management Report. These sections contain additional and complementary information to obtain a better understanding of the Bank, the BBVA Group and their respective actions in the matters required by article 32 of Law 7/2021, as shown in the table below:

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

Topic	Reporting criteria	Response included in BBVA Group's consolidated management report
Govern	Governance structure of organization, including the role that its various bodies perform, in relation to the identification, evaluation and management of risks and opportunities related to climate change.	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

The calculation of scope 1, 2 and 3 of the carbon footprint and how BBVA Spain deals with its reduction, as well as other aspects related to direct and indirect impacts, are broken down in the section "Management of direct and indirect impacts" at continuation.

[5] Shared ranking position

Management of direct and indirect impacts

As a financial entity, BBVA has a direct impact on the environment and society, through the use of natural resources and the relationship with its stakeholders; and indirectly, through its credit 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 Ecoefficiency 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[6].

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 (BBVA Spain)

Vector	Indicators	Global target(1)
Consumptions	Renewable electricity (%)	100 %
	Electricity consumption per employee (MWh/FTE)	(15)%
	Energy consumption per employee (MWh/FTE)	(6)%
	Water consumption per employee (m^3/FTE)	(21)%
	Paper consumption per employee (kg/FTE)	(4)%
Circular economy	Net waste per employee (t/FTE)	(14)%
Carbon footprint	Scope 1&2 carbon emissions (tCO_2e)	(6)%
Sustainable building	Environmentally certified area (%)	43 %

(1) Base year 2019

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. In Spain, since 2015 energy is renewable through the purchase of Guarantees of Origin. And since 2020, part of the consumption comes from a wind farm built within the Power Purchase Agreement (PPA), completing up to 100% of the consumption with Guarantees of Origin. There will also be a commitment to the self-generation of renewable energy through the installation of photovoltaic and thermosolar solar panels in buildings, as it is already the case in several.
   – 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 the Group in Spain, and the installation of waterless urinals in some of the buildings in Spain.
   – Finally, there are measures for the digitalization and centralization of printing to reduce the consumption of paper, which is to 100% recycled or environmentally certified.

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 to carry out a correct segregation and recycling of waste.

[6] 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.

Moreover, the action plan foresees that all these sustainable practices are certified under zero waste management standards.

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 5 buildings with the prestigious LEED (Leadership in Energy and Environmental Design) for sustainable construction.

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 16 buildings and 8 branches. Moreover, 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, 3 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 ECO-EFFICIENCY PLAN[1] (BBVA Spain)

	2021				2020
	2021 Goal (%)	**Reference value**	**Δ 21-19**	**Δ 21-20**	**Reference value**
Renewable electricity (%)	100 %	100 %			100 %
Electricity consumption per employee (MWh/FTE)	(6)%	5.73	(17)%	(2.0)%	5.82
Energy consumption per employee (MWh/FTE)	(3)%	6.21	(16)%	(1)%	6.29
Water consumption per employee (m^3/FTE)	(9)%	7.90	(25)%	26 %	6.25
Paper consumption per employee (kg/FTE)	(3)%	58.15	(24)%	22 %	47.58
Net waste per employee (t/FTE)[2]	(11)%	0.01	(83)%	61 %	—
Scope 1&2 carbon emissions (tCO_2e)[3]	(6)%	3,818.14	31 %	45 %	2,630.53
Environmentally certified area (%)[4]	37 %	39 %			34 %

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) 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. Data for the years prior to 2021 do not include Scope 1 due to vehicle fleet and refrigerant gases.

(4) Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office certifications.

Environmental performance in 2021

BBVA's environmental footprint shows very positive data compared to the baseline year 2019, with reductions of 17% in electricity consumption, 25% in water consumption and 24% in paper (all per employee). The percentage of renewable energy consumption continues at 100%, and the environmentally certified surface area reached 39%. Scope 1 and 2 emissions (according to the market-based method) have increased compared to the base year 2019 due to the incorporation this year of Scope 1 data on emissions due to vehicle fleets and refrigerant gases, which do not They were part of the footprint of the previous years.

ENVIRONMENTAL FOOTPRINT (BBVA Spain) (1)

	2021	2020 (7)
Consumption		
Total water comsuption (cubic meters)	219,764.67	190,033.66
Public water supply (cubic meters)	*206,093.94*	*190,033.66*
Recycled water (cubic meters)	*13,670.73*	*nd*
Paper (tons)	1,618.45	1,406.62
Energy (Megawatt hour) (2)	*172,930.51*	*185,846.81*
Energy from renewable sources (Megawatt hour)	*159,353.60*	*172,093.47*
Energy from non renewable sources (Megawatt hour)	*13,576.91*	*13,753.33*
CO_2 emissions		
Scope 1 emissions (tons CO_2e) (2)	3,818.14	2,630.53
Emissions from fuels in facilities (t CO_2e)	*2,666.34*	*2,630.53*
Emissions from vehicle fleet fuels (t CO_2e)	*570.50*	*nd*
Emissions from refrigerant gases (t CO_2e)	*581.30*	*nd*
Scope 2 emissions (tons CO_2e) market-based method (3)	*0.00*	*0.00*
Scope 2 emissions (tons CO_2e) location-based method (4)	31,743.24	44,830.35
Scope 1&2 emissions (tons CO_2e) market-based method	**3,818.14**	**2,630.53**
Scope 1&2 emissions (tons CO_2e) location-based method	**35,561.37**	**47,460.88**
Scope 3 emissions (t CO_2e) (6)	4,599.09	2,269.82
Emissions from waste management (t CO_2e)	*83.61*	*nd*
Emissions from business travel (t CO_2e) (5)	*1,238.01*	*2,269.82*
Emissions from employees commuting (t CO_2e) (6)	*3,277.47*	*0.00*
Total CO_2e emissions (t CO_2e) market-based method	**8,417.22**	**4,900.35**
Total CO_2e emissions (t CO_2e) location-based method	**40,160.46**	**49,730.70**
Social cost of carbon (Scope 1&2) (€) (8)	171,057.73	nd
Waste		
Hazardous waste (tons)	81.04	6.56
Recycled hazardous waste (tons)	*42.89*	*nd*
Disposed hazardous waste (tons)	*38.15*	*nd*
Non-hazardous waste (tons)	2,118.76	921.37
Recycled non-hazardous waste (tons)	*2,016.57*	*nd*
Disposed non-hazardous waste (tons)	*102.18*	*nd*
Single-use plastics (9)	0.32	nd
Donated IT equipment (units)	485.00	25.00

(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 CO_2e. 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 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 CO_2 social cost factor according to a proportional estimate of the EPA's social cost of carbon for 2020 ($51/t$CO_2$) and 2025 ($56/tCO_2), (discount rate of 3%, with exchange rate 1.192 €/USD).

(9) Masks purchased for our employees have been taken into account and the data provided on single-use plastics from catering suppliers.

Given the business activities in which the BBVA engages, the Bank 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 Financial Statements 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.

Principles of Ecuador

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.

2.7 Additional information

Contents index of the Law 11/2018

Non-financial information report. Contents Index to the Law 11/2018

		Page / Section Management report BBVA 2021	GRI reporting criteria	Page(s)
General information				
Business model	Brief description of the group's business model	BBVA in brief	GRI 102-2 GRI 102-7	2
	Geographical presence	BBVA in brief	GRI 102-3 GRI 102-4 GRI 102-6	2
	Objectives and strategies of the organization	NFIS/Information on strategy and objectives	GRI 102-14	3-4
	Main factors and trends that may affect your future evolution	NFIS/Information on strategy and objectives	GRI 102-15	3-4
General	Reporting framework	Non-financial information report	GRI 102-54	3
	Principle of materiality	Non-financial information report	GRI 102-46 GRI 102-47	3
Management approach	Description of the applicable policies	NFIS/Information on strategy and objectives, Information on customers, Information on employees, Information on suppliers, Information on social matters, Report on climate change and other environmental and social issues	GRI 103-2	3-33
	The results of these policies	NFIS/Information on strategy and objectives, Information on customers, Information on employees, Information on suppliers, Information on social matters, Report on climate change and other environmental and social issues	GRI 103-2	3-33
	The main risks related to these issues involving the activities of the group	NFIS/Information on strategy and objectives, Information on customers, Information on employees, Information on suppliers, Information on social matters, Report on climate change and other environmental and social issues	GRI 102-15	3-33
Environmental questions				
Environmental management	Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 102-15	30-33
	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	30-33
	Resources dedicated to the prevention of environmental risks	NFIS/Report on climate change and other environmental and social issues	GRI 103-2	29-33
	Application of the precautionary principle	NFIS/Report on climate change and other environmental and social issues	GRI 102-11	29-33
	Amount of provisions and guarantees for environmental risks	NFIS/Report on climate change and other environmental and social issues	GRI 103-2	29-33
Contamination	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of activity-specific air pollution, including noise and light pollution	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 103-2	30-33
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 103-2 GRI 306-2 with respect to reusing and recycling	30-33
	Actions to combat food waste	BBVA Group considers this indicator not to be material	GRI 103-2	

Sustainable use of resources	Water consumption and water supply according to local constraints	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 303-5 (2018) with respect to total water consumption	30-33
	Use of raw materials and measures taken to improve the efficiency of their utilization	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 301-1 with respecto to the weight of renewable material used	30-33
	Energy use, direct and indirect	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 302-1 GRI 302-3	30-33
	Measures taken to improve energy efficiency	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 103-2 GRI 302-4	30-33
	Use of renewable energies	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 302-1 with respect to renewable energies consumption	30-33
Climate change	Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	NFIS/Report on climate change and other environmental and social issues/ Management of direct and indirect impacts	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	30-33
	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	30-33
	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	29-33
Protection of biodiversity	Measures taken to protect or restore biodiversity	The metric describes the size of the protected or restored areas of habitats and BBVA's financial activity, as well as the activity of its offices, has no impact in this regard. This metric and its various breakdowns are currently considered non-material.	GRI 304-3	
	Impacts caused by activities or operations in protected areas	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas, so the impacts of the entity's activities on biodiversity are considered not significant. Although the products and services commercialised can potentially have an impact on it, they are managed according to the regulations and criteria applicable to the nature of the financed activities, and nowadays there are no defined and comparable metrics for their monitoring and reporting in relation with BBVA's value chain. However, the entity undertakes to follow up on regulatory developments regarding biodiversity for future reporting if necessary.	GRI 304-1 GRI 304-2	
Social and personnel questions				

Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 102-8 GRI 405-1	14-15
	Total number and distribution of work contract modalities	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 102-8	14-15
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 102-8	14-15
	Number of dismissals by sex, age, and professional classification	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 103-2 GRI 401-1 with respect to staff turn-over by age group, sex and professional category	15
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	NFIS/Information on employees/ Remuneration	GRI 103-2 GRI 405-2 with respect to women's remuneration compared to men	17-20
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	NFIS/Information on employees/ Remuneration	GRI 103-2 GRI 405-2 with respect to women remuneration compared to men's by professional category	17-20
	Salary gap	NFIS/Information on employees/ Remuneration	GRI 103-2 GRI 405-2 with respect to women remuneration compared to men's by professional category	19-20
	Implementation of employment termination policies	NFIS/Information on employees/ Work environment /Work organization	GRI 103-2	15-16
	Employees with disabilities	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 405-1	12-13
Work organization	Work schedule organization	NFIS/Information on employees/ Work environment /Work organization	GRI 103-2	15-16
	Number of hours of absenteeism	NFIS/Information on employees/ Work environment/Health and labor safety	GRI 403-9	16-17
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	NFIS/Information on employees/ Work environment /Work organization	GRI 103-2	15-16
Health and safety	Work health and safety conditions	NFIS/Information on employees/ Work environment/Health and labor safety	GRI 103-2 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018)	16-17
	Work accidents, in particular their frequency and severity, disaggregated by gender	NFIS/Information on employees/ Work environment/Health and labor safety	GRI 403-9 (2018) with respect to labor accident injuries	16-17
	Occupational diseases, disaggregated by gender	NFIS/Information on employees/ Work environment/Health and labor safety	GRI 403-10 (2018) with respect to recordable labor diseases	16-17

Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	NFIS/Information on employees/ Work environment/Freedom of association and representation	GRI 103-2	16
	Percentage of employees covered by collective agreement by country	NFIS/Information on employees/ Work environment/Freedom of association and representation	GRI 102-41	16
	The balance of collective agreements, particularly in the field of health and safety at work	NFIS/Information on employees/ Work environment/Health and labor safety	GRI 403-4 (2018)	16-17
Training	Policies implemented for training activities	NFIS/Information on employees/ Professional development/Training	GRI 103-2 GRI 404-2	11-12
	The total amount of training hours by professional category	NFIS/Information on employees/ Professional development/Training	GRI 404-1	11-12
Universal accessibility for people with disabilities	Integration and universal accessibility of people with disabilities	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 103-2	12-15
Equality	Measures taken to promote equal treatment and opportunities between women and men	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 103-2	12-15
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 103-2	12-15
	Measures adopted to promote employment, protocols against sexual and sex-based harassment.	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 103-2	12-15
	Policy against any type of discrimination and, where appropriate, diversity management	NFIS/Information on employees/ Professional development/Diversity, inclusion and different capacities	GRI 103-2	12-15
Information about the respect for human rights				
Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	NFIS/Information on social matters/ Commitment to human rights	GRI 102-16 GRI 102-17 GRI 412-1 GRI 412-2 GRI 412-3	27-28
	Claims regarding cases of human rights violations	NFIS/Information on social matters/ Commitment to human rights	GRI 103-2 GRI 406-1	27-28
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	NFIS/Information on employees/ Work environment/Freedom of association and representation NFIS/Information on social matters/ Commitment to human rights	GRI 103-2 GRI 407-1 GRI 408-1 GRI 409-1	16, 27-28
Information about anti-bribery and anti-corruption measures				
Corruption and bribery	Measures adopted to prevent corruption and bribery	NFIS/Information on social matters/ Compliance	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3	25
	Measures adopted to fight against antimoney laundering	NFIS/Information on social matters/ Compliance	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3	25
	Contributions to foundations and non-profit-making bodies	NFIS/Information on social matters/ Contribution to society	GRI 102-13 GRI 201-1 with respect to community investment	24
Information about the society				

Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	NFIS/Information on social matters/ Contribution to society	GRI 103-2 GRI 203-2 with respect to significant indirect economic impacts GRI 204-1	23-24
	The impact of company activity on local populations and on the territory	NFIS/Information on social matters/ Contribution to society	GRI 413-1 GRI 413-2	23-24
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	NFIS/Information on social matters/ Contribution to society	GRI 102-43 GRI 413-1	23-24
	Actions of association or sponsorship	NFIS/Information on social matters/ Contribution to society	GRI 103-2 GRI 201-1 with respect to investments in the community	23-24
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	NFIS/Information on suppliers	GRI 103-2	21-22
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	NFIS/Information on suppliers	GRI 102-9 GRI 308-1 GRI 414-1	21-22
	Supervision systems and audits, and their results	NFIS/Information on suppliers	GRI 102-9 GRI 308-1 GRI 308-2 GRI 414-2	21-22
Consumers	Customer health and safety measures	NFIS/Information on social matters/ Customer security and protection	GRI 103-2 GRI 416-1	6-8
	Claims systems, complaints received and their resolution	NFIS/Information on social matters/ Customer care	GRI 103-2 GRI 418-1	8-9
Tax information	Benefits obtained by country	NFIS/Information on social matters/Tax contribution	GRI 201-1 GRI 207-4 (2019) with respect to tax on corporate profit payed and tax on corporate profit	25-27
	Taxes on paid benefits	NFIS/Information on social matters/Tax contribution	GRI 201-1 GRI 207-4 (2019) respect to tax on corporate profit payed and tax on corporate profit accrued on profit or loss	25-27
	Public subsidies received	NFIS/Information on social matters/Tax contribution	GRI 201-4	27
Requirements of the Taxonomy regulation		NFIS/Additional information/Information related to article 8 of the European Taxonomy		39-40

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 the Bank in accordance with the provisions of Delegated Regulation 2121/2178 of July 6, 2021 and the clarifications of the European Commission are as follows[7]:

RATIOS 2021 (BBVA, S.A.)

	%
% exposure to economic activities included in the Taxonomy (Taxonomy elegible) (1) (2)	42.3
% exposure to economic activities not included in the Taxonomy (Taxonomy non elegible) (1) (2)	20.5
% exposure to central governments and central banks	23.9
% exposure of non accredited to NFRD. (1)(3)	22.7
% trading portfolio exposure	23.2
% sight inter-bank portfolio exposure	0.6
% derivatives exposure	6.5

(1) 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.

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 Bank'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. 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 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 BBVA 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 BBVA Group's Consolidated Management report.

[7] Sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en" published on December 20, 2021

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)	**50.5**	**35.1**

(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.

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. Risk management

The Bank's general risk management and control model is integrated into the BBVA Group's general model.

3.1 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.

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.

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.

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.

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.

3.2 Risks associated with climate change

The information on the management of risks associated with climate change required by Law 7/2021, of May 20, on climate change and energy transition, is described in the chapter "Report on climate change and other environmental and social issues" of this report.

3.3 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.

Insurance 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.

3.4 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.

3.5 Risk factors

BBVA has processes in place for identifying risks and analyzing scenarios in order to enable 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 Bank'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.

4. Financial information

4.1 Balance sheet, business activity and earnings

The financial information included in this Management report has been prepared from the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, S.A. and with the criteria established by the Bank of Spain Circular 4/2017, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

The key figures in the Bank's balance sheet and income statement related to its main activity are as follows:

As of December 31, 2021, the Bank's total assets showed increased significantly to €442,279m compared to €443,032m as of December 2020, mainly due to a decrease in "Cash, cash balances at central banks and other demand deposits" (€38,821m as of December 31, 2021 vs. €44,107m as of the same date of the prior year) and "Financial assets at fair value through other comprehensive income" (€28,205m at the end of 2021 compared to €37,528m), and "Non-current assets and disposal groups classified as held for sale" (€885m as of December 31, 2021 compared to €9,978m as of the same date of the prior year). Meanwhile, "Financial assets held For trading" and "Financial assets at amortized cost" amounts increased with respect to the previous year. On the other hand, Total liabilities remained stable, where an increase in the heading ""Financial liabilities held for trading (€77,859m as of December 31, 2021 compared to €67,135m as of December 31, 2020) was offset by the decrease in "Financial liabilities at amortized cost", €321,848m as of December 31, 2021 compared to €331,189m as of the same date of the prior year.

Net interest income has slightly decreased slightly during the fiscal year from €3,514m at December 31, 2020 to €3,428m at December 31, 2021, mainly as a result of the lower interest rate environment on the investment portfolio and to the lower contribution of the ALCO portfolio, partially offset by lower funding costs. Gross income in fiscal year 2021 stood at €7,470m, compared to the €6,637m obtained in 2020, as a result of the positive evolution of net fees and commissions and accrued dividends. Compared to previous years, administrative expense remained stable (€3,553m in fiscal year 2020 and €3,693m in 2021). Impairment on financial assets was reduced to €757m, mainly as a result of the negative impact of the deterioration in the macroeconomic scenario due to COVID-19, after its outbreak in March 2020, as well as to the improvement of the macroeconomic environment in 2021. As a result thereof, in the financial year 2021, the Bank obtained an before-tax profit from continuing activities of €746m (compared to €249m in 2020). After the 2020 reclassification of the balances under the headings "Dividend income" and "Impairment or reversal of impairment of investments in subsidiaries, joint ventures or associates", net of their corresponding tax effects which corresponded to the companies for sale that were reclassified to the heading "Profit (loss) after tax from discounted operations" of the accompanying income statement, the Bank recorded a negative result for the year 2020 of €-2,182m. As a result of the Sale of BBVA's U.S. subsidiary, the Bank recorded a positive result of €1,080m in 2021.

4.2 Capital, treasury stock, solvency and capital ratios

Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

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 51)

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.

Capital ratios

BBVA's solvency and capital ratios required by the regulation in force in 2021 are outlined in Note 28 of the accompanying Financial Statements.

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 3 of the accompanying 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 (see Note 3 of the accompanying Financial Statements).

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 3 of the accompanying Financial Statements).

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.

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 CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE: **31/12/2021**

CIF (*Código de identificación fiscal* — Tax Identification No.) **A-48265169**

Company Name: **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

Registered Office: **4 Plaza de San Nicolás, 48005 Bilbao (Biscay)**

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital and the associated voting rights, including, if applicable, any such rights corresponding to shares with loyalty votes, as of financial year-end:

Indicate whether the company's bylaws provide for double voting rights for loyalty:

YES	NO	
	X	
Date of approval by the general meeting		

Date of the last modification of share capital	Share capital	Number of shares	Number of voting rights
24/04/2017	3,267,264,424.20	6,667,886,580	6,667,886,580

Indicate whether there are different classes of shares with different associated rights:

No

A.2 Detail the direct and indirect owners of significant shareholdings as of financial year-end, including directors with significant shareholdings:

Name or corporate name of the shareholder	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
Blackrock, Inc.	0.00%	5.48%	0.44%	0.00%	5.92%
GQG Partners LLC	3.10%	0.00%	0.00%	0.00%	3.10%

Details of indirect shareholdings:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights

Indicate the most significant changes in the shareholder structure during the financial year:

Most significant changes:

As of 31 December 2021, State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, had custody of 14.26%, 2.45% and 7.69% of BBVA's share capital, 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 the BBVA share capital.

On 18 April 2019, Blackrock, Inc. informed the CNMV (*Comisión Nacional del Mercado de Valores* — Spanish National Securities Market Commission) that it had an indirect holding of 5.917% of BBVA's share capital, with 5.480% corresponding to voting rights attached to shares and 0.437% corresponding to voting rights through financial instruments.

On 11 February 2021, GQG Partners LLC informed the CNMV that it had a direct holding in BBVA's share capital of 3.090%, through voting rights attached to shares.

A.3 Detail, regardless of the percentage, the shareholdings as of financial year-end of the members of the board of directors that hold voting rights associated with company shares or through financial instruments, excluding those directors identified in Section A.2 above:

Name or corporate name of the director	**% of voting rights attached to shares**		**% of voting rights through financial instruments**		**Total % of voting rights**	**% of voting rights that can be transferred through financial instruments**	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Torres Vila	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Onur Genç	0.01	0.00	0.00	0.00	0.01	0.00	0.00
José Miguel Andrés Torrecillas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Caruana Lacorte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Raúl Galamba de Oliveira	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Garijo López	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sunir Kumar Kapoor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lourdes Máiz Carro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Maldonado Ramos	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Peralta Moreno	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Juan Pi Llorens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Revenga Shanklin	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Susana Rodríguez Vidarte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carlos Salazar Lomelín	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jan Verplancke	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by members of the board of directors	0.02%

Details of indirect shareholdings:

Name or corporate name of the director	Name or corporate name of the direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that can be transferred through financial instruments

Detail the total percentage of voting rights held by the board:

Total % of voting rights held by the board of directors	0.00%

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as they are known to the company, unless they are of little relevance or attributable to ordinary trading or exchange activities, except those described in Section A.6:

Name of related person or company	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or its group, unless they are of little relevance or attributable to ordinary trading or exchange activities:

Name of related person or company	Type of relationship	Brief description

A.6 Describe the relationships, unless they are of little relevance for the two parties, that exist between significant shareholders or shareholders represented on the board and directors, or their representatives in the case of directors that are legal entities.

Explain, where applicable, how significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or those who are related to significant shareholders and/or their group companies, and specify the nature of the relationships. In particular, state, where applicable, the existence, identity and position of board members—or their representatives—of the listed company who are also members—or representatives of members—of the management body of companies that hold significant shareholdings in the listed company or in entities that are part of said significant shareholders' group.

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Corporate name of the company in the significant shareholder's group	Description of relationship/ position

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it, as established in Articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by each such agreement:

No

Indicate whether the company is aware of the existence of concerted actions by its shareholders. If so, describe them briefly:

No

If any changes to or breaking of any such pacts, agreements or concerted actions have occurred during the financial year, indicate this expressly:

A.8 Indicate whether any legal entities or natural persons exercise or may exercise control over the company pursuant to Article 5 of the Securities Exchange Act. If so, identify them:

No

A.9 Fill in the following tables regarding the company's treasury shares:

As of financial year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
112,733,730	14,899,669	1.91%

(*) Through:

Name or corporate name of direct owner of shares	Number of direct shares
Corporación General Financiera, S.A.	14,899,669
Total:	**14,899,669**

Explain any significant changes that have occurred during the financial year:

Explain significant changes
In 2021, 3 communications regarding treasury shares were sent to the CNMV, as the acquisitions had exceeded the 1% threshold. The communications were as follows: • Communication date: 18/05/2021. A total of 1,097,591 direct shares and 7,178,657 indirect shares, representing a total of 0.124% of the share capital. This communication was made after acquisitions passed the 1% threshold. • Communication date: 01/12/2021. A total of 28,947,371 direct shares and 14,900,424 indirect shares, representing a total of 0.658% of the share capital. This communication was made after acquisitions passed the 1% threshold. • Communication date: 27/12/2021. A total of 94,184,413 direct shares and 14,899,669 indirect shares, representing a total of 1.636% of the share capital. This communication was made after acquisitions passed the 1% threshold.

A.10 Describe the conditions and term of the current mandate from the general meeting to the board of directors to issue, buy back or transfer treasury shares.

- The BBVA General Meeting held on 17 March 2017, under item three of the Agenda, passed a resolution to delegate to the Board the power to increase share capital for a period of five years up to a maximum amount corresponding to 50% of BBVA's share capital on the date of the authorisation. This can be done on one or several occasions by issuing new shares of any kind allowed by law, with or without an issue premium, the counter-value of said shares comprising cash considerations. The authorisation includes the setting out of the terms and conditions of the increase in any respect not provided for in the resolution, and to authorise the Board to wholly or partly exclude pre-emptive subscription rights in relation to any share capital increase carried out by virtue of the resolution, in compliance with the applicable legal requirements. This power was limited insofar as the nominal amount of capital increases agreed or carried out with an exclusion of the pre-emptive subscription rights do not exceed the maximum nominal amount, overall, of 20% of BBVA's share capital at the time of authorisation, although this limit is expected to be reduced to 10% in accordance with the proposals submitted to the BBVA General Meeting in 2022. To date, BBVA has not adopted any resolution using this delegated power.

- The BBVA General Meeting held on 16 March 2018, under item three of the Agenda, passed a resolution to grant BBVA the authority, whether directly or through any of its subsidiaries, and for a period of no more than five years, to derivatively acquire BBVA shares as well as their subsequent disposal, by any means permitted by law, noting, in particular, that (i) the nominal value of the shares acquired by means of this authorisation, in when added to those already owned by BBVA and its subsidiaries, may exceed 10% of BBVA's subscribed share capital, or, where appropriate, any lower limit established by applicable legislation; (ii) the acquisition price per share may not be lower than the nominal value of the share, and must be under 10% higher than the share price or any other price associated with the shares at the time that they are acquired. It also authorised that the shares acquired through this authorisation be partially or totally set aside for workers or directors of BBVA or its subsidiaries, either directly or as a result of them exercising any option rights.

  At its meeting on 28 October 2021, having received the mandatory authorisation of the European Central Bank, the BBVA Board resolved to carry out a treasury share buyback framework programme through the aforementioned delegation, in accordance with Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, to be implemented in several tranches, for a maximum amount of EUR 3.5 billion, with the aim of reducing BBVA's share capital. Within the framework programme, it resolved to carry out an initial buyback programme for a maximum amount of EUR 1.5 billion and a maximum number of shares to be acquired of 637,770,016 treasury shares. This first programme began on 22 November 2021 and will end between 16 February and 5 April 2022 and, in any case, when the maximum monetary amount or maximum number of shares is reached within that period.

- The BBVA General Meeting held on 20 April 2021, under item five of the Agenda, passed a resolution to delegate to the Board the power to issue securities that will eventually be convertible into newly issued BBVA shares, for a period of five years, to meet regulatory requirements for their eligibility as capital instruments, in accordance with the solvency regulations and the applicable provisions and after obtaining the necessary authorisations, for a maximum overall amount of EUR 8,000,000,000, or its equivalent in another currency, with the ability to determine: (i) the terms, characteristics and conditions of issuances; (ii) the form, timing, assumptions, bases and methods of conversion; and (iii) the conversion rate. It also delegated to the Board the power to (i) request admission to trading of securities and shares that have been issued; (ii) increase BBVA's capital by the amount necessary to meet the conversion commitments; and (iii) totally or partially exclude pre-emptive subscription rights of shareholders within the framework of a specific issuance, in compliance with applicable legal requirements and limitations. To date, BBVA has not adopted any resolution using this delegated power.

- The BBVA General Meeting held on 20 April 2021, under item six of the Agenda, passed a resolution to delegate to the Board (until the next General Meeting), the power to reduce, once or several times, the share capital of BBVA up to a maximum of 10% of its capital at the time of delegation, after obtaining the corresponding regulatory authorisations, through the redemption of BBVA shares acquired under the authorisation of the General Meeting of 16 March 2018, through any mechanism with the aim of redeeming such shares and in accordance with the provisions of the applicable legislation and regulations, also resolving to empower it to set out the terms and conditions of the increase in anything not foreseen herein. To date, BBVA has not implemented the aforementioned share capital reduction.

A.11 Estimated floating capital:

	%
Estimated floating capital	89.05%

Remarks
This estimated floating BBVA capital has been calculated by deducting, from the share capital, the capital held by the direct and indirect holders of significant shares (Section A.2), the members of the Board of Directors (Section A.3) and the capital held in treasury shares (Section A.9), all as of 31 December 2021, in accordance with the instructions for completing the Annual Corporate Governance Report.

A.12 Indicate whether there are any restrictions (statutory, legislative or of any other kind) on the transferability of securities and/or any restrictions on voting rights. In particular, report the existence of any restrictions that might hinder the takeover of the company through the purchase of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments as provided by law in the sector.

Yes

Description of the restrictions
With regard to the exercise of voting rights, there are no legal or statutory restrictions. Thus, in accordance with Article 31 of the Bylaws, each voting share will confer the right to one vote on the holder, whether present or represented at the General Shareholders' Meeting, regardless of its disbursement. There are no statutory restrictions on the acquisition or transfer of holdings in the share capital. As for the legal restrictions on the acquisition or transfer of holdings in the company's share capital, Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (LOSS) establishes that the direct or indirect acquisition of a significant holding (as defined in Article 16 of that Act) in a credit institution is subject to assessment by the Bank of Spain as set out in Articles 16 et seq. of that Act. Additionally, Article 25 of Royal Decree 84/2015, implementing the LOSS (Royal Decree 84/2015), establishes that the Bank of Spain shall evaluate proposals for acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

A.13 Indicate whether the general meeting has resolved to adopt measures to neutralise a public takeover bid pursuant to the provisions of Act 6/2007.

No

If so, explain the measures approved and the terms on which the restrictions would be rendered ineffective:

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes

Where applicable, indicate the different classes of shares and the rights and obligations conferred by each such class.

Indicate the different classes of shares
All the shares in BBVA's share capital have the same class and series, and confer the same political and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital. The Bank's shares are admitted to trade on the stock exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish Stock Exchange Interconnection System (Continuous Market), as well as on the stock exchanges in London and Mexico. BBVA's American Depositary shares (ADS) are traded on the New York stock exchange.

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate, providing details where applicable, whether there are any differences to the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum for holding the general meeting.

Yes

	% quorum if different to that established in Art. 193 of the CEA for general cases	% quorum if different to that established in Art. 194 of the CEA for special cases
Quorum required on first call	0.00%	66.66%
Quorum required on second call	0.00%	60.00%

Description of the differences
Article 194 of the Corporate Enterprises Act establishes that in order for a general meeting (whether ordinary or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the bylaws, bond issuance, the suppression or limitation of pre-emptive subscription rights over new shares, or the transformation, merger or spin-off of the company or global assignment of assets and liabilities or the offshoring of domicile, the shareholders present and represented on first calling must own at least 50% of the subscribed capital with voting rights. On second calling, 25% of said capital will be sufficient. Notwithstanding the foregoing, Article 25 of the BBVA Bylaws requires a super quorum of members representing two thirds of the subscribed capital with voting rights on first calling, and 60% of the subscribed capital on second calling, for the valid adoption of resolutions on the following matters: re-definition of the corporate purpose; the transformation, total breakup or dissolution of the Company; and the modification of the statutory article defining this super quorum.

B.2 Indicate, providing details where applicable, whether there are any differences to the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

No

B.3 Indicate the rules applicable to amending the company's bylaws. In particular, report the majorities needed to amend the bylaws as well as any rules established to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Shareholders' Meeting is empowered to amend the Company Bylaws and to confirm or rectify the manner in which they are interpreted by the Board of Directors.

To such end, the rules established under Articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, Article 25 of the BBVA Bylaws establishes that in order to validly adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up of the Company and amendment of the second paragraph of said Article 25, two thirds of the subscribed capital with voting rights must attend the General Meeting on first calling, and 60% of said capital on second calling.

As regards the procedure for amending the Bylaws, Article 4.2 c) of the LOSS establishes that the Bank of Spain shall be responsible for authorising the amendments to the bylaws of credit institutions as set out by regulations.

Further to the above, Article 10 of Royal Decree 84/2015 stipulates that the Bank of Spain shall make a decision within two months following receipt of the request for amendment of the Bylaws and that said request must be accompanied by certified minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and draft new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, the aforementioned Article 10 establishes that no prior authorisation from the Bank of Spain is required, though the latter must be notified for the purposes of entry in the *Registro de Entidades de Crédito* (Spanish register of credit institutions), for amendments with the following purposes:

- Change of the registered office within the national territory.
- Share capital increase.

- Verbatim incorporation into the bylaws of legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.
- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorisation is not required due to their little relevance.

This communication must be made within 15 working days following the adoption of the statute amendment resolution.

Finally, as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in cooperation with the Bank of Spain under the Single Supervisory Mechanism, so the authorisation of the Bank of Spain mentioned above will be submitted to the ECB, prior to its resolution by the Bank of Spain.

B.4 Provide data on attendance at general meetings held during the financial year covered in this report and the previous financial year:

	Attendance data				
Date of general meeting	**% physically present**	**% present by proxy**	**% voting remotely**		**Total**
			Electronic vote	**Other**	
20/04/2021	1.23%	54.9%	7.37%	4.18%	67.71%
Of which is floating capital:	1.21%	45.88%	7.37%	4.18%	58.64%
13/03/2020	0.06%	47.76%	4.34%	14.67%	66.83%
Of which is floating capital:	0.04%	38.48%	4.34%	14.67%	57.53%
15/03/2019	1.77%	38.95%	0.92%	22.79%	64.43%
Of which is floating capital:	1.75%	33.03%	0.92%	22.79%	58.49%

B.5 Indicate whether there were any items on the agenda for the general meetings that took place during the financial year that were not approved by the shareholders for any reason.

No

B.6 Indicate whether there are any restrictions in the bylaws that establish a minimum number of shares required to attend general meetings or vote remotely:

Yes

Number of shares required to attend general meetings	500
Number of shares required to vote remotely	1

Remarks
Article 23 of the BBVA Bylaws establishes that holders of 500 or more shares may attend both annual and extraordinary General Shareholders' Meetings, provided that their shares are registered in the corresponding accounting ledger at least five days before the day on which the Meeting is scheduled, pursuant to the Securities Exchange Act and other applicable provisions, and who conserve at least that number of shares until the Meeting is held. Holders of fewer shares may group together until they have at least that number, and name a representative. However, there is no minimum number of shares required to vote remotely. Pursuant to the provisions of Article 8 of BBVA's Regulations of the General Shareholders' Meeting, shareholders may vote by proxy, by post, electronically or by any other means of remote communication, provided that the shareholder confirms the identity of the person exercising their right to vote. In terms of constituting the General Shareholders' Meeting, shareholders who vote remotely will be counted as present.

B.7 Indicate whether it has been established that certain decisions, other than those provided for by law, involving an acquisition, a disposal, the contribution of essential assets to another company or a similar corporate transaction, must be submitted to the general shareholders' meeting for approval.

No

B.8 Indicate the address and means of access, on the company's website, to information on corporate governance and other information on general meetings that must be made available to shareholders on the company's website.

Information relating to corporate governance and the Company's general meetings can be accessed via the Banco Bilbao Vizcaya Argentaria, S.A. company website, www.bbva.com, in the Shareholders and Investors — Corporate Governance and Remuneration Policy section (https://shareholdersandinvestors.bbva.com/corporate-governance-and-remuneration-policy/).

C. COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors established in the bylaws and number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

Remarks
In accordance with the provisions of Article 34, Paragraph 2 of the Bylaws, the General Shareholders' Meeting, held on 20 April 2021, resolved to set the total number of directors on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. at 15.

C.1.2 Fill in the following table on the board members:

Name or corporate name of the director	Representative	Type of director	Position on the board	Date of first appointment	Date of most recent appointment	Election procedure
Carlos Torres Vila	-	Executive	Group Executive Chairman	04/05/2015	15/03/2019	Resolution of the General Shareholders' Meeting
Onur Genç	-	Executive	Chief Executive Officer	20/12/2018	15/03/2019	Resolution of the General Shareholders' Meeting

José Miguel Andrés Torrecillas	-	Independent	Deputy Chair	13/03/2015	20/04/2021	Resolution of the General Shareholders' Meeting
Jaime Caruana Lacorte	-	Independent	Director	16/03/2018	20/04/2021	Resolution of the General Shareholders' Meeting
Raúl Galamba de Oliveira	-	Independent	Director	13/03/2020	13/03/2020	Resolution of the General Shareholders' Meeting
Belén Garijo López	-	Independent	Director	16/03/2012	20/04/2021	Resolution of the General Shareholders' Meeting
Sunir Kumar Kapoor	-	Independent	Director	11/03/2016	15/03/2019	Resolution of the General Shareholders' Meeting
Lourdes Máiz Carro	-	Independent	Director	14/03/2014	13/03/2020	Resolution of the General Shareholders' Meeting
José Maldonado Ramos	-	Other external	Director	28/01/2000	20/04/2021	Resolution of the General Shareholders' Meeting
Ana Peralta Moreno	-	Independent	Director	16/03/2018	20/04/2021	Resolution of the General Shareholders' Meeting
Juan Pi Llorens	-	Independent	Director	27/07/2011	20/04/2021	Resolution of the General Shareholders' Meeting
Ana Revenga Shanklin	-	Independent	Director	13/03/2020	13/03/2020	Resolution of the General Shareholders' Meeting
Susana Rodríguez Vidarte	-	Other external	Director	28/05/2002	13/03/2020	Resolution of the General Shareholders' Meeting
Carlos Salazar Lomelín	-	Other external	Director	13/03/2020	13/03/2020	Resolution of the General Shareholders' Meeting
Jan Verplancke	-	Independent	Director	16/03/2018	20/04/2021	Resolution of the General Shareholders' Meeting

Total number of directors	**15**

Indicate any departures, whether resulting from resignation or resolution of the general meeting, that occurred on the board of directors during the reporting period:

Name or corporate name of the director	Type of director at the time of departure	Date of most recent appointment	Departure date	Specialised committees of which the director was a member	Indicate whether the departure occurred prior to the end of the term

C.1.3 Fill in the following tables on the board members and their directorship type:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company's organisational structure	Profile
Carlos Torres Vila	Group Executive Chairman	Chairman of the BBVA Board of Directors. He was Chief Executive Officer of BBVA from May 2015 to December 2018, Head of Digital Banking from 2014 to 2015 and Head of Strategy and Corporate Development from 2008 to 2014. In addition, he previously held positions of responsibility in other companies, with his roles as Chief Financial Officer, Corporate Director of Strategy and member of the Executive Committee of Endesa being of particular note, as well as his elected partnership at McKinsey & Company. He completed his studies in Electrical Engineering (BSc) at the Massachusetts Institute of Technology (MIT), where he also received a degree in Business Administration. He holds a master's degree in Management (MSc) from the MIT Sloan School of Management and also a Law degree from the National Distance Education University (UNED).
Onur Genç	Chief Executive Officer	Chief Executive Officer of BBVA. He served as Chairman and CEO of BBVA Compass and as BBVA Country Manager in the U.S.A from 2017 to December 2018, and served as Deputy CEO and Executive Vice President of retail and private banking at Garanti BBVA between 2012 and 2017. He has also held positions of responsibility in different McKinsey & Company offices, having previously been a Senior Partner and Manager of its Turkish office. He holds a degree in Electrical Engineering (BSc) from the University of Boğaziçi in Turkey and a master's degree in Business Administration (MSIA/MBA) from Carnegie Mellon University in the USA.

Total number of executive directors	2
% of all directors	13.33%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder represented by the director or that proposed the director's appointment	Profile

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of the director	Profile
José Miguel Andrés Torrecillas	Deputy Chairman of the BBVA Board of Directors. His professional career began at Ernst & Young as General Managing Partner of Audit and Advisory Services and the Chairman of Ernst & Young Spain until 2014. He has been a member of various organisations such as the ROAC (*Registro Oficial de Auditores de Cuentas* — official registry of auditors), the REA (*Registro de Economistas Auditores* — registry of accounting auditors), the *Junta Directiva del Instituto Español de Analistas Financieros* (Spanish Institute of Financial Analysts Management Board), *Fundación Empresa y Sociedad* (the Business and Society Foundation), *Instituto de Censores Jurados de Cuentas de España* (Spanish Institute of Chartered Accountants), *Consejo Asesor del Instituto de Auditores Internos* (the Advisory Board of the Institute of Internal Auditors) and the Institute of Chartered Accountants in England & Wales (ICAEW). He holds a degree in Economic and Business Sciences from the Complutense University of Madrid and has studied at post-graduate level in Management Programs from IESE, Harvard and IMD. For information on his roles in other entities, see section C.1.11 of this Report.
Jaime Caruana Lacorte	He is a member of the Group of 30 (G-30), Patron of the Spanish Aspen Institute Foundation, Chairman of the Board of the International Center for Monetary and Banking Studies (ICMB) and a member of the International Advisory Committee of the CBIRC (China Banking and Insurance Regulatory Commission). He has been General Manager of the Bank of International Settlements (BIS), Director of the Monetary and Capital Markets Department and Financial Counsellor and General Manager of the International Monetary Fund (IMF), Chairman of the Basel Committee on Banking Supervision, Governor of the Bank of Spain and member of the Governing Council of the ECB, among other positions. He holds a degree in Telecommunications Engineering from the *Escuela Técnica Superior de Ingenieros de Telecomunicación* (ETSIT) of the Universidad Politécnica de Madrid and is a Commercial Technician and State Economist.
Raúl Galamba de Oliveira	His career has been linked to McKinsey & Company, where he was appointed Partner in 1995 and Senior Partner in 2000, and where he was Managing Partner for Spain and Portugal (2005–2011), Managing Partner for Global Risk Practice (2013–2016), Member of the Global Shareholders' Council (2005–2011), Member of the Global Partner Election and Evaluation Committees (2001–2017). Member of the Remuneration Committee (2005–2013) and Chairman of the Global Learning Board (2006–2011). He holds a BSc in Mechanical Engineering and an MSc in Systems Engineering from the *Instituto Superior Técnico* (IST) in Portugal, and an MBA from the Nova School of Business Economics, also in Portugal. For information on his roles in other entities, see section C.1.11 of this Report.
Belén Garijo López	Chair of the International Senior Executive Committee (ISEC) of Pharmaceutical Research and Manufacturers of America (Farma). She has held various positions of responsibility at Abbot Laboratories (1989–1996), Rhône-Poulenc (1996–1999), Aventis Pharma (1999–2004), Sanofi Aventis (2004–2011) and Merck (since 2011). She is a graduate in Medicine from the University of Alcalá de Henares in Madrid and a specialist in Clinical Pharmacology at Hospital de la Paz, Autonomous University of Madrid. She also holds a master's degree in Business and Management from the Ashridge Management School (UK). For information on his roles in other entities, see section C.1.11 of this Report.
Sunir Kumar Kapoor	He has been Manager of Business Enterprise EMEA for Microsoft Europe and Director of Worldwide Business Strategy for the Microsoft Corporation. Among other roles, she was previously the Executive Vice President and Chief Marketing Officer (CMO) of Cassatt Corporation and Chair and CEO of UBmatrix Incorporated. He holds a Bachelor's in Physics from the University of Birmingham and a Master's in Computer Systems from Cranfield Institute of Technology. For information on his roles in other entities and other paid activities, see section C.1.11 of this Report.

Lourdes Máiz Carro	She was Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España until April 2016. She has also been a director of several companies, including Renfe, GIF (*Gerencia de Infraestructuras Ferroviarias* — Railway Infrastructure Administrator, now ADIF), the ICO (*Instituto de Crédito Oficial* — Official Credit Institution), Aldeasa and Banco Hipotecario. She worked in Research, giving classes in Metaphysics and Theory of Knowledge at the Complutense University of Madrid for five years. She became an Attorney for the State and held various positions of responsibility in Public Administration, including General Director of Administrative Organisation, Job Positions and I.T. (Ministry of Public Administrations), General Director of the *Sociedad Estatal de Participaciones Patrimoniales* (SEPPA) at the Ministry of Economy and Finance and Technical General Secretariat of the Ministry of Agriculture, Fisheries and Food. She holds degrees in Law and Philosophy and Education Sciences as well as a Ph.D. in Philosophy.
Ana Peralta Moreno	She was previously Chief Risk Officer and a member of the Bankinter Management Committee, and Chief Risk Officer and member of the Banco Pastor Management Committee. She has also held various positions at a number of financial organisations, notably serving as an independent director at Deutsche Bank SAE, independent director at Banco Etcheverría, independent director at Grupo Lar Holding Residencial, S.A.U., and Senior Advisor at Oliver Wyman Financial Services. She is a graduate in Economic and Business Sciences from Complutense University of Madrid. She also has a master's degree in Economic-Financial Management from the *Centro de Estudios Financieros* (CEF), Program for Management Development (PMD) at Harvard Business School and PADE (*Programa de Alta Dirección de Empresas* – senior management programme) at IESE. For information on his roles in other entities, see section C.1.11 of this Report.
Juan Pi Llorens	Lead Director of BBVA. He has had a professional career at IBM holding various senior positions at a national and international level, including Vice President of Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Financial Services Sector in the Growth Markets Units (GMU) in China. He was also Executive Chairman of IBM Spain. He holds a degree in Industrial Engineering from the Universidad Politécnica de Barcelona and completed the PDG (*Programa en Dirección General* — general management programme) at IESE. For information on his roles in other entities, see section C.1.11 of this Report.
Ana Revenga Shanklin	Senior Fellow at the Brookings Institution, Associate Professor at the Walsh School of Foreign Service at Georgetown University and President of the Board at the ISEAK Foundation. Her career has been linked mainly to the World Bank, where, after holding several technical and management positions in East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, she has held several leadership positions, including Senior Director of Global Poverty & Equity (2014–2016) and Deputy Chief Economist (2016–2017). She holds a BA in Economics and Mathematics, magna cum laude, from Wellesley College (USA), an MA and PhD in Economics from Harvard University (USA), and a Certificate in Human Rights from the Faculty of Law at the University of Geneva (Switzerland).
Jan Verplancke	He is currently an advisor to the internal advisory board at Abdul Latif Jameel. His roles have included Chief Information Officer (CIO) and Group Head of Technology and Banking Operations at Standard Chartered Bank, Vice President of Technology and CIO for EMEA at Dell, as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss. He holds a bachelor's degree in Science, specialising in Computer Science, from the Programming Centre of the North Atlantic Treaty Organization (NATO) in Belgium.

Total number of independent directors	10
% of all directors	66.67%

Indicate whether any director considered to be an independent director is receiving, from the company or its group, any amount or benefit that does not constitute remuneration for serving as a director, or maintains or has maintained, over the last financial year, a business relationship with the company or any company in its group, whether in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why they cannot be considered proprietary or independent directors, detailing their relationships with the company or its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
José Maldonado Ramos	He has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Over the course of his professional career, he has held the positions of Secretary of the Board of Directors at a number of companies, most notably as Corporate General Secretary of Argentaria, before taking up the position of Corporate Secretary of BBVA. He took early retirement as a Bank executive in December 2009. He holds a Law degree from Complutense University of Madrid. In 1978, he passed State exams and became an Attorney for the State.
Susana Rodríguez Vidarte	She has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	She has been Professor of Strategy at the Faculty of Economics and Business Administration at the University of Deusto and a non-practising member of the Institute of Accounting and Accounts Auditing. She was Dean of the Faculty of Economics and Business Administration at the University of Deusto, Director of the Postgraduate Area and Director of the *Instituto Internacional de Dirección de Empresas* (INSIDE). She holds a PhD in Economic and Business Administration from the University of Deusto.

Carlos Salazar Lomelín	Applying a criterion of prudence in the interpretation of the rule, Mr Salazar Lomelín has been assigned the status of external director to Banco Bilbao Vizcaya Argentaria, S.A., in view of his membership of the management bodies of companies related to BBVA Mexico for more than 15 years.	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Chairman of Mexico's Business Coordinating Council (since 2019). His career has been linked mainly to Grupo Fomento Económico Mexicano S.A.B. de C.V. (Femsa), where he was General Manager of Cervecería Cuauhtémoc-Moctezuma and Chief Executive Officer of Femsa (this last role was from 2014–2017). He holds a degree in Economics and has completed postgraduate studies in Business Administration at *Instituto Tecnológico y de Estudios Superiores de Monterrey* (Monterrey Institute of Technology and Higher Education). For information on his roles in other entities, see sections C.1.10 and C.1.11 of this Report.

Total number of other external directors	3
% of all directors	20%

Indicate any changes that occurred during the period in the type of each director:

Name or corporate name of the director	**Date of change**	**Previous type**	**Current type**

C.1.4 Fill in the following table with information regarding the number of female directors as of the end of the last four financial years and the types of such directors:

	Number of female directors				**% of all directors of each type**			
	Year 2021	**Year 2020**	**Financial year 2019**	**Financial year 2018**	**Financial year 2021**	**Year 2020**	**Financial year 2019**	**Financial year 2018**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	4	4	3	3	40%	40%	37.5%	37.5%
Other external	1	1	1	1	33.33%	33.33%	25%	25%
Total:	5	5	4	4	33.33%	33.33%	26.67%	26.67%

C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors with regard to matters such as age, gender, disability or professional training and experience. In accordance with the definition contained in the Spanish Account Auditing Act, small and medium-sized companies are required to report, at a minimum, the policy that they have established with regard to gender diversity.

Yes

In the event the company has them, please outline these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Please also indicate any specific measures adopted by the board of directors and the appointments and remunerations committee to achieve a balanced and diverse representation of directors.

If the company does not have a diversity policy, explain the reasons for this.

Description of the policies, their objectives, their measures, the way in which they have been applied and the results thereof

The Bank has a Policy on the selection, suitability and diversity of the BBVA Board of Directors, (the Selection Policy) approved by the Board of Directors at the end of the 2020 financial year that sets out the principles and criteria governing the process for the selection, appointment and renewal of BBVA Board members, as well as the legal requirements that directors must meet, including those relating to suitability. The Policy also provides for elements and objectives concerning the composition of the corporate bodies, including diversity, the purpose of which is to ensure that the corporate bodies properly and effectively exercise their functions. All of this is done in the Bank's best corporate interest.

In this sense, with regard to diversity, the Selection Policy states that the BBVA Board of Directors will promote diversity in the composition of the Bank's corporate bodies by encouraging the inclusion of people with different profiles, qualities, knowledge, training and experience.

In addition, to ensure that the corporate bodies have an adequate and balanced composition, the rotation and selection processes will encourage diversity of their members, based on the needs of the Bank at all times.

In particular, efforts will be made to ensure that the Board of Directors has a balanced representation of men and women. To this end, the Appointments and Corporate Governance Committee has set a target for representation of the lesser-represented gender, namely that female directors should represent at least 40% of the Board of Directors by the end of the 2022 financial year and beyond, with the figure not dropping below 30% prior to this.

Additionally, the aim is for the composition of the Board of Directors to feature an appropriate balance between the different types of director, for non-executive directors to represent an ample majority over executive directors and for the number of independent directors to account for at least 50% of the total seats.

The corporate bodies will also be assessed to ensure that they have a mix of individuals who have experience and knowledge of the Group, its businesses and the financial sector in general, as well as others who have training, skills, knowledge and experience in other areas and sectors relevant to the Bank.

In addition, BBVA's corporate bodies may take any other diversity factor into consideration that is relevant at any given moment to adapt the composition of the corporate bodies to the needs of the Bank. They may take into account criteria such as gender diversity, academic profile, professional experience, knowledge, disability, origin or age, thus being able to achieve an adequate balance aimed at ensuring that the corporate bodies can properly and effectively exercise their functions.

Continued in section H.

C.1.6 Explain any measures that have been agreed by the appointments committee to ensure that selection procedures are free from implicit biases that could hinder the selection of female directors and to ensure that the company makes a conscious effort to search for, and includes among its potential candidates, women who match the desired professional profile in order to achieve a balanced representation of men and women. Further, indicate whether these measures include facilitating a significant number of female senior managers at the company:

Explanation of the measures

As stated in Section C.1.5, the Board has a Selection Policy that establishes that, with respect to the selection processes for new Bank directors, as part of the process of progressive and systematic rotation of the corporate bodies, the Appointments and Corporate Governance Committee will ensure that they promote diversity and that, in general, they are free from implicit biases that may lead to discrimination.

Furthermore, the Committee will ensure that these selection processes facilitate the selection of a sufficient number of female directors so as to guarantee a balanced representation of women and men, endeavouring to ensure that women who match the relevant professional profile are included amongst potential candidates.

To this end, as indicated previously, the Appointments and Corporate Governance Committee has set a target for representation of the lesser-represented gender, namely that female directors should represent at least 40% of the Board by the end of the 2022 financial year and beyond, with the figure not dropping below 30% prior to this.

In view of the above, and considering the constant analysis of the structure, size and composition of the Board of Directors, in the 2021 financial year, the Appointments and Corporate Governance Committee developed a selection process for directors, inspired by the principles of the Regulations of the Board and the Selection Policy, which has taken into account the aim of female directors representing at least 40% of the Board before the end of the 2022 financial year. In addition, it is based on a current situation in which women make up one third of the Board, which fulfils the objective set out in the Selection Policy that applies at this time.

This process has taken into account the criteria outlined in the Selection Policy, favouring the diversity of experiences, knowledge, skills and gender. It has also been free from implicit bias that could lead to any kind of discrimination, and has included women who may meet the desired professional profile.

As a result of this process, and having followed the company's required process, a proposal has been made to the General Meeting, which will be held in the 2022 financial year, to appoint a new female director as an independent director.

This new appointment, if approved, will contribute directly to the fulfilment of the Policy's representation objective, therefore meaning that six female directors will form part of the Board of Directors, which would represent 40% of its members.

In addition, it should be noted that the majority of the members of the Audit Committee and the Remunerations Committee are women, including the Chair of the Remunerations Committee.

Continued in section H.

When, despite the measures taken, there are few or no female directors or senior managers, explain the reasons therefor:

Explanation of the reasons

C.1.7 Explain the conclusions of the appointments committee regarding the verification of compliance with the policy aimed at promoting an appropriate composition of the board of directors.

As part of the annual evaluation of the Board carried out for the 2021, the Appointments and Corporate Governance Committee, in accordance with its Regulations, has analysed the structure, size and composition of the corporate bodies, taking into account that these must remain balanced and adapted to their needs at all times, and that the Board, as a whole, has the right knowledge, skills and experience to understand the business, activities and main risks of BBVA and the Group, and ensures that it has the effective capacity to carry out its functions in the Bank's best corporate interest.

This analysis takes place within the framework of the progressive and orderly rotation of the corporate bodies developed by the Board, under which individuals with different profiles and experience are admitted as often as it sees fit, in order to increase diversity, as well as to ensure an appropriate rotation of the members of the Board. This guarantees a balanced representation of directors with diverse experience on the Board.

The analysis also takes into account the forecasts and objectives regarding the structure, size and composition of the Board as set out in applicable legislation, the Regulations of the corporate bodies and the Selection Policy, as outlined above, as well as the finalisation of the directors' statutory terms, as appropriate for each financial year.

The Committee also takes into account the functioning and performance of the corporate bodies in recent years, and in particular how they have operated during the COVID-19 crisis, during which the directors have shown a great deal of dedication to the Bank as well as demonstrating flexibility and an ability to adapt to the current circumstances, and during which their knowledge of the landscape and the Group itself has not only enabled the corporate bodies to adequately carry out their functions, it has also contributed to the Group being able to tackle the crisis from a position of strength.

Furthermore, the Committee also takes into account the areas and matters that are of particular relevance when it comes to carrying out the functions that correspond to the corporate bodies, in particular, the Group's activities, business and strategies, both at present and going forwards.

Among the various sources of information the Committee uses to carry out its work, particularly noteworthy is the matrix of skills and diversity on the Board, developed with a view to facilitating the identification of the skills, characteristics and experience that the Board has, and those which could be strengthened in the future. This matrix covers skill categories, sectors and areas related to banking and finance, as well as others that are of particular relevance to the Group's strategy and activities.

This matrix covers the areas of banking and financial services; accounting and auditing; risk management; innovation and information technologies; strategy and macroeconomic environment; human resources and remuneration; institutional, legal and regulatory; and corporate governance and sustainability.

Similarly, the matrix brings together the prior professional experience and career of directors in various areas such as the company, boards of directors, public administration and academia, among others, at both national and international level; it also indicates the percentage of women and men on the Board.

In relation to the foregoing, the Committee has been able to confirm that the Board includes individuals with extensive knowledge and experience in the financial and banking field along with individuals who have experience and knowledge in each of the other areas analysed; it also notes that there is a diversity in the type of training undertaken and professional experience—both national and international—gained by the directors.

This diversity of the Board's skills, knowledge and experience has been strengthened following the in-depth process to renew the corporate bodies, which are being developed, with the appointment of several directors over the last few years. As a result, individuals have been appointed who have enabled the Board to strengthen its skills, knowledge and experience in areas of particular relevance to the Bank's strategy, business and activities.

The Board, therefore, consists of directors with a range of experience in terms of the Board itself, combining newly incorporated members with others who have experience in the corporate bodies themselves and who have extensive knowledge of the Group and of the functional dynamics and working culture of the corporate bodies themselves. They also ensure that the process of progressive rotation of the corporate bodies, which involves the inclusion of new profiles, with lesser knowledge of the Bank, without affecting its proper functioning

The Committee also observed that independent directors contribute to the suitable composition of both the Board of Directors and its committees and, in particular, those that assist the Board in its supervision and control functions. These Committees must have a significant number of independent directors, from among which the chairs of these committees must also be appointed.

Continued in section H.

C.1.8 Where applicable, explain why proprietary directors have been appointed at the behest of shareholders whose holding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Indicate whether any formal requests for a seat on the board were denied where such requests came from shareholders whose interests in the company's share capital were equal to or greater than those of others at whose behest proprietary directors were appointed. Where applicable, explain why these requests were not granted:

No

C.1.9 Where applicable, indicate the powers and authority delegated by the board of directors, including as it relates to potential share issuances or buybacks, to directors or board committees:

Name or corporate name of the director or committee	Brief description
Carlos Torres Vila	He holds the widest-ranging representative and management powers in line with his duties as Group Executive Chairman of the Company.
Onur Genç	He holds the widest-ranging representative and management powers in line with his duties as Chief Executive Officer of the Company.
Executive Committee	Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of the Regulations of the Executive Committee, the Executive Committee will be made aware of matters delegated to it by the Board of Directors, in accordance with the law, the Bylaws, the Regulations of the Board or the Regulations of the Executive Committee. In addition, in relation to those powers concerning potential share issuances and buybacks, at its meeting on 28 October, 2021, the BBVA Board of Directors resolved to carry out a framework programme for the buyback of treasury shares and, within the scope of this framework programme, an initial share buyback programme, agreeing to delegate to the Executive Committee, with express substitution powers, the determination of its start and termination date, its early termination or temporary suspension, as well as its definitive terms, characteristics and conditions.

C.1.10 Where applicable, identify any members of the Board who hold positions as directors, representatives of directors or executives in other companies that belong to the same group as the listed Company:

Name or corporate name of the director	Corporate name of the group entity	Position	Does the director have executive duties?
Carlos Torres Vila	BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México	Director	No
Carlos Torres Vila	Grupo Financiero BBVA México, S.A. de C.V.	Director	No
Onur Genç	BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México	Director	No

Onur Genç	Grupo Financiero BBVA México, S.A. de C.V.	Director	No
Carlos Salazar Lomelín	BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México	Director	No
Carlos Salazar Lomelín	Grupo Financiero BBVA México, S.A. de C.V.	Director	No
Carlos Salazar Lomelín	BBVA Seguros México, S.A. de C.V. Grupo Financiero BBVA México	Director	No
Carlos Salazar Lomelín	BBVA Pensiones México, S.A. de C.V. Grupo Financiero BBVA México	Director	No
Carlos Salazar Lomelín	BBVA Seguros Salud México, S.A. de C.V. Grupo Financiero BBVA México	Director	No

C.1.11 Detail the director or director representative roles held by directors or representatives of members of the board of directors of the company in other companies, whether listed or not:

Name of the director or representative	Corporate name of the entity, whether listed or not	Position
José Miguel Andrés Torrecillas	Zardoya Otis, S.A.	Director
Raúl Galamba de Oliveira	CTT – Correios de Portugal, S.A.	Group Executive Chairman
Raúl Galamba de Oliveira	José de Mello Capital	Director
Raúl Galamba de Oliveira	José de Mello Saúde	Director
Belén Garijo López	L'Oréal Société Anonyme	Director
Belén Garijo López	Merck Group	CEO
Sunir Kumar Kapoor	Stratio Big Data, Inc.	Director
Sunir Kumar Kapoor	Deep Image Analytics, Inc.	Director
Sunir Kumar Kapoor	McLaren Technology Adquisition Corp.	Director
Ana Peralta Moreno	Grenergy Renovables, S.A.	Director
Ana Peralta Moreno	Inmobiliaria Colonial SOCIMI, S.A.	Director
Juan Pi Llorens	Ecolumber, S.A.	Group Executive Chairman
Juan Pi Llorens	Oesía Networks, S.L.	Director
Juan Pi Llorens	Tecnobit, S.L.U. (Grupo Oesía)	Director
Juan Pi Llorens	UAV Navigation, S.L. (Grupo Oesía)	Director
Carlos Salazar Lomelín	Alsea, S.A.B. de C.V.	Director

Carlos Salazar Lomelín	Sukarne, S.A. de C.V.	Director

Indicate, where applicable, all paid activities of any nature engaged in by directors or their representatives aside from those indicated in the table above:

Name of the director or representative	Other paid activities
Susana Rodríguez Vidarte	Professor Emeritus at the University of Deusto
Sunir Kumar Kapoor	Operating Partner at Atlantic Bridge Capital and advisor to the CEO at mCloud Technologies Corp.
Lourdes Máiz Carro	Teaching of training activities
Jaime Caruana Lacorte	Teaching of training activities

C.1.12 Indicate and, where applicable, explain whether the company has established any rules regarding the maximum number of company boards on which its directors may sit, identifying, where applicable, where such rules are governed:

Yes

Explanation of the rules and identification of the document governing the same

Article 11 of the Regulations of the Board of Directors establishes that, in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under the current applicable regulations, and in particular, to the provisions of Act 10/2014 on the regulation, supervision and solvency of credit institutions (the LOSS).

In this regard, Article 26 of the LOSS stipulates that the directors of credit institutions may not simultaneously hold more positions than those provided for in the following combinations: (i) one executive position and two non-executive positions; or (ii) four non-executive positions. Executive positions are understood to be those that undertake management duties irrespective of the legal bond attributed by those duties. In this respect, the following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within (i) entities that form part of the same institutional protection scheme or (ii) trading companies in which the entity holds a significant shareholding. Positions held in non-profit organisations or entities or companies pursuing non-commercial purposes will not count when determining the maximum number of positions. Nevertheless, the Bank of Spain may authorise members of the Board of Directors to hold an additional non-executive position if it deems that this would not interfere with the proper performance of the director's activities in the credit institution.

In addition, pursuant to the provisions of Article 11 of BBVA's Regulations of the Board of Directors, directors may not:

- Provide professional services to companies that compete with the Bank or any of the companies within its Group, or agree to be an employee, manager or director of such companies, unless they have received express prior authorisation from the Board of Directors or from the General Shareholders' Meeting, as appropriate, or unless these activities were conducted before the director joined the Bank, they posed no effective competition and the Bank had been informed of such at that time.

- Have direct or indirect shareholdings in businesses or enterprises in which the Bank or companies within its Group hold an interest, unless that shareholding was held prior to joining the Board of Directors or prior to the Group's acquisition of its holding in such businesses or enterprises, or unless such companies are listed on national or international securities markets, or unless authorised to do so by the Board of Directors.

- Hold political positions or perform any other activities that might receive public attention or affect the Company's image in any way, unless authorised to do so by the Bank's Board of Directors.

C.1.13 Indicate the amounts of the following items relating to the total remuneration of the board of directors:

Remuneration accrued in favour of the board of directors during the financial year (thousands of euro)	16,118
Amount of funds accumulated by current directors through long-term savings systems with vested economic rights (thousands of euro)	0
Amount of funds accumulated by current directors through long-term savings systems with non-vested economic rights (thousands of euro)	24,546
Amount of funds accumulated by former directors through long-term savings systems (thousands of euro)	69,289

Remarks
The remuneration included in the first heading of this paragraph includes: (i) the fixed remuneration received by all directors in 2021; and (ii) in the case of executive directors, the amount corresponding to the Upfront Portion of the Annual Variable Remuneration for the 2021 financial year, in cash and shares, and to the payment of the Deferred Portion of the Annual Variable Remuneration for the 2018 financial year, in cash and shares, to be delivered in 2022, together with the corresponding update of the cash portion. In the case of the Chairman, the amount corresponding to the payment of the Deferred Portion of the Annual Variable Remuneration for the 2017 financial year, in cash and shares, to be delivered in 2022, together with the corresponding update of the cash portion. The amounts of the Upfront Portion of the Annual Variable Remuneration for the 2021 financial year have been determined in 2022, once the result of the Annual Performance Indicators established for their calculation is known. They will be paid in the first quarter of 2022, providing that the conditions to that effect have been met. The amounts of the Deferred Portion of the Annual Variable Remuneration for the 2018 financial year have been determined in 2022, upon learning the result of the Multi-Year Performance Indicators to which said remuneration was subject, and will be paid in the first quarter of 2022, providing that the conditions to that effect have been met. The amount of the second payment of the Deferred Portion of the Chairman's Annual Variable Remuneration for the 2017 financial year, to be delivered in 2022 was determined in 2021, upon learning the result of the Multi-Year Performance Indicators to which said remuneration was subject, and will be paid in the first quarter of 2022, providing that the conditions to that effect have been met.

C.1.14 Identify the members of senior management who are not also executive directors, and indicate the total remuneration accrued in their favour throughout the financial year:

Name or corporate name	Position(s)
María Luisa Gómez Bravo	Global Head of Corporate & Investment Banking
Jorge Sáenz-Azcúnaga Carranza	Country Monitoring
Peio Belausteguigoitia Mateache	Country Manager Spain
Eduardo Osuna Osuna	Country Manager Mexico
David Puente Vicente	Global Head of Client Solutions
Javier Rodríguez Soler	Global Head of Sustainability

Rafael Salinas Martínez de Lecea	Global Head of Finance
Jaime Sáenz de Tejada Pulido	Head of Global Risk Management
José Luis Elechiguerra Joven	Global Head of Engineering
Carlos Casas Moreno	Global Head of Talent & Culture
Ricardo Martín Manjón	Global Head of Data
Victoria del Castillo Marchese	Global Head of Strategy & M&A
María Jesús Arribas de Paz	Global Head of Legal
Domingo Armengol Calvo	General Secretary
Ana Fernández Manrique	Global Head of Regulation & Internal Control
Joaquín Gortari Díez	Global Head of Internal Audit

Number of women in senior management	4
Percentage of all members of senior management	25%

Total remuneration of senior management (thousands of euro)	25,425

C.1.15 Indicate whether there have been any amendments to the regulations of the board during the financial year:

Yes

Description of the modifications

On 29 July, 2021, coinciding with the creation of the new global area of Sustainability, the Board of Directors resolved to make specific amendments to Articles 18 and 20 of the Regulations of the Board of Directors of the Bank, in order to include the report of this new area to the Chief Executive Officer, as well as to the Chairman of the Board of Directors (in this case, in the areas of strategy and transformation).

To this end, and on the basis of the analysis and agreement previously expressed by the Appointments and Corporate Governance Committee, the Board approved the proposal for a new Regulation, thus drawing up a new consolidated text of the Regulation. This was later published on the Bank's website and registered in the Commercial Registry, in compliance with the applicable regulations.

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Provide details regarding the competent bodies, the procedures to be followed and the criteria to be used in each procedure.

Selection, appointment and re-election procedure:

The General Meeting is responsible for appointing and re-appointing members of the Board of Directors, though the Board has the authority to co-opt members if a seat falls vacant, in accordance with the terms established in the regulations, the Bylaws, the Regulations of the Board and the Selection Policy described in Sections C.1.5 and C.1.6.

The persons proposed to be appointed or re-appointed as members of the Board of Directors must meet the requirements set out in current legislation, in the specific regulations applicable to credit institutions, in the Bylaws, in the Regulations of the Board and in the Selection Policy.

Proposals for appointment or re-appointment of directors submitted by the Board of Directors to the General Meeting, as well as appointments made directly to fill vacancies under its co-opting authority, will be approved at the proposal of the Appointments and Corporate Governance Committee for independent directors and subject to a report from this Committee for all other directors.

Furthermore, proposals for appointment and re-appointment submitted to the General Meeting must be accompanied by a supporting report from the Board of Directors assessing the skills, experience and merits of the proposed candidate. Proposals for the appointment or re-appointment of non-independent directors must also be accompanied by a report from the Appointments and Corporate Governance Committee.

To this end, said Committee will evaluate the balance of knowledge, skills and experience on the Board of Directors, as well as the conditions that the candidates must meet to cover vacancies (applicable legal and suitability requirements, inter alia), evaluating the time commitment considered necessary so that they can carry out their duties, according to the needs of the corporate bodies.

Thus, the Appointments and Corporate Governance Committee will develop rotation and selection processes for directors as part of the process of progressive and systematic rotation of the corporate bodies with a view to ensuring that the structure and composition of the Board remains balanced and in line with the needs of the Bank at all times, having directors with different profiles, knowledge, training, experience and qualities.

Within these processes, the Committee will ensure that diversity is promoted and that, in general, there are no implicit biases that may lead to any form of discrimination.

It shall also ensure that these processes facilitate the selection of a sufficient number of female directors to guarantee a balanced representation of men and women, with the aim that female directors represent at least 40% of the Board by the end of the 2022 financial year and beyond, with the figure not dropping below 30% prior to this, while endeavouring to ensure that women who match the professional profile sought are included amongst potential candidates.

Additionally, the aim is for the composition of the Board of Directors to feature an appropriate balance between the different types of director, for non-executive directors to represent an ample majority over executive directors and for the number of independent directors to account for at least 50% of the total seats.

The corporate bodies will also be assessed to ensure that they have a mix of individuals who have experience and knowledge of the Bank, the Group, its businesses and the financial sector in general, as well as others who have training, skills, knowledge and experience in other areas and sectors relevant to the Bank.

In any case, BBVA's corporate bodies may take any other relevant diversity factor into consideration to adapt the composition of the corporate bodies to the needs of the Bank. They may take into account criteria such as gender diversity, academic profile, professional experience, knowledge, disability, origin or age, thus being able to achieve an adequate balance.

In the performance of its functions, the Appointments and Corporate Governance Committee may employ external services to select potential candidates, when it deems this necessary or appropriate.

Duration of term and termination:

The directors will hold their position for the term set out in the company Bylaws (that is, three years, after which they may be reappointed one or more times for an additional three-year term) or, if they have been co-opted, until the first General Shareholders' Meeting has been held. They will resign from their post when the term for which they were appointed expires, unless they are re-appointed.

Directors must also inform the Board of Directors of any circumstances affecting them that could harm the company's standing and reputation, and any circumstances that may have an impact on their suitability for their role. Directors must offer their resignation to the Board and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation, in the circumstances listed in section C.1.19 below.

In any event, directors will resign from their posts upon reaching 75 years of age and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.17 Explain the extent to which the annual evaluation of the board has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of changes

Article 17 of the Regulations of the Board of Directors establishes that the Board shall evaluate the quality and efficiency of its functioning, on the basis of the report submitted to it by the Appointments and Corporate Governance Committee.

The BBVA Board of Directors carried out its self-assessment according to the process described in the following section, in the context of the evolution and constant improvement of BBVA's Corporate Governance System, in such a way that it remains aligned at all times to the needs of the corporate bodies, to the environment in which the Group operates, and to the regulatory requirements and best practices.

This has enabled the corporate bodies to continue to deepen the implementation of the various improvement measures resolved by the Board over the course of the last few financial years.

Thus, the following conclusions from the 2021 evaluation process were of particular note:

- The maintenance of an adequate structure and composition of the corporate bodies, following the re-election processes of seven directors (six of them independent) which culminated in the 2021 general meeting. This composition allows the Bank to have directors with outstanding professional backgrounds with diverse profiles and a high level of dedication when it comes to carrying out their duties. All of which guarantees an adequate knowledge of the environment, activities, strategies and risks of the Bank and its Group by the corporate bodies and contributes to the enhanced performance of their functions.

- The existence of a large majority of independent directors (two thirds of the total) and a female representation of at least 30% of the total (a target applicable to the 2021 financial year).

- The significant improvements implemented in the decision-making process of the corporate bodies, as well as in the exercise of their supervisory and control functions, where progress has been made in both the role of the committees and the information model, as well as in the Board's own dynamics in dealing with matters.

- The constant adaptation of the dynamics of the corporate bodies' meetings when it comes to the evolution of the pandemic.

- The measures aimed at ensuring that there is constant interaction between the Board, its committees and the executive team for the analysis of all relevant information, including on the evolution of the pandemic and its management by the Bank, as well as the supervision and control of the executive team, either directly by the Board, through the committees, within the framework of their respective functions.

- The mechanisms that have enabled corporate bodies to increase the time spent on issues of greatest relevance to the Group, in particular with regard to their different strategic approaches and progress in the area of sustainability.

In all of this, the Bank's corporate bodies sought to keep BBVA's Corporate Governance System adapted to the reality, circumstances and needs of the Bank and, consequently, to emphasise the importance attributed to ensuring its solidity and resilience under all circumstances.

In this regard, indicate that on the evaluation process for 2021 likewise, the following issues have been detected for continuous improvement: increase the participation of the Appointments and Corporate Governance Committee in planning the succession of the holders of key functions, as well as continue developing the supervision of the Corporate Governance Policy of the Group, simplify the information provided to the corporate bodies to improve the efficiency of their sessions; and strengthen the integration of the second line of defense within the area of Regulation and Internal Control.

Describe the evaluation process and the evaluated areas conducted by the board of directors, assisted, where applicable, by an external consultant, regarding the functioning and composition of the board, its committees and any other area or aspect that was evaluated.

Description of the evaluation process and the areas evaluated

In accordance with Article 17 of the Regulations of the Board of Directors, the Board assesses the quality and efficiency of its operation, as well as the performance of the duties of the Chairman of the Board, starting, in each case, with the report submitted to it by the Appointments and Corporate Governance Committee. The Board of Directors also evaluates the performance of the Chief Executive Officer, based on the report by the Appointments and Corporate Governance Committee, which includes the evaluation performed by the Executive Committee. Finally, the Board of Directors also assesses the operation of its committees, on the basis of the reports submitted to it by the latter.

The evaluation process carried out in relation to the 2021 financial year consisted of a thorough analysis and evaluation of the quality and efficiency of the functioning of the corporate bodies and the performance of the Chairman and the Chief Executive Officer. This evaluation was carried out by the Appointments and Corporate Governance Committee, taking into account several aspects, such the Board's self-assessment for the 2020 financial year, the directors' view of the Bank, and the various reports issued, described below.

On this basis, the Board of Directors evaluated: the quality and efficiency of the operation of the Board of Directors; the performance of the duties of the Chairman and the Chief Executive Officer; and the functioning of the Board Committees; as detailed below.

- The Board of Directors has analysed the quality and efficiency of its functioning in the 2021 financial year, for which it has used the work carried out by the Appointments and Corporate Governance Committee, as contained in its report on the quality and efficiency of the operation of the Board, in which the following issues have been analysed in detail, among others: the structure, size and composition of the Board of Directors and its committees, in line with the points in sections C.1.5, C.1.6 and C.1.7; the independence and suitability of the directors, as well as the degree of dedication of the members of the Board, (in particular, the chair of each of the committees), which the Bank requires for the proper execution of the duties of director and the proper operation of the corporate bodies; and the functioning of the Board and the committees, including the decision-making process, the performance of supervision and control functions, and the development of the corporate bodies' meetings during the financial year.

  The Board has also analysed the outcome of the opinions obtained from the directors on the above issues through personal interviews with Board members, these interviews having been led by the Lead Director for non-executive directors and by the Chair of the Committee for executive directors.

  Furthermore, and within the framework of its competence to determine the Board's assessment procedure, in 2021, the Committee determined the desirability of incorporating the expert advice of an independent external firm, Following the provisions of the Good Governance Code of Listed Companies published by the CNMV as to the desirability of having the support of an external consultant in carrying out the assessment every three years (where 2018 was the financial year in which the last analysis by an external party took place).

  This advice has been carried out by the company Promontory Financial Group (Promontory), after the verification of its independence by the Appointments and Corporate Governance Committee, and it has allowed that company – which also carried out the external analysis in 2018 – to carry out an independent and in-depth review of the evolution of BBVA's Corporate Governance System in the last three financial years, including, in particular, the various improvement measures implemented. Promontory submitted its report of conclusions to the Appointments and Corporate Governance Committee and the Board of Directors at the beginning of the 2022 financial year.

  The process described has the objective of ensuring that the Board's assessment is carried out on the basis of a combination of elements that will provide Board members with an overall view of the development of their functions, in addition to the good governance recommendations established in this area.

- The evaluation of the performance of the duties of the Chairman of the Board of Directors, which was led by the Lead Director in accordance with Article 21 of the Regulations of the Board, was carried out by the Board on the basis of the report by the Appointments and Corporate Governance Committee (in accordance with Article 5 of the Regulations of the Appointments and Corporate Governance Committee) which details the key elements of the Chairman's performance for the 2021 financial year.

- The evaluation of the performance of the duties of the Chief Executive Officer was carried out by the Board on the basis of the report by the Appointments and Corporate Governance Committee, including the assessment carried out in this respect by the Executive Committee (in accordance with Article 17 of the Regulations of the Board) which details the key elements of the Chief Executive Officer's performance for the 2021 financial year.

In addition, the Board assessed the quality and efficiency of the functioning of each Committee on the basis of the reports submitted by their respective Chairs, as described in Section H of this Report.

C.1.18 For those financial years in which an external consultant assisted with the evaluation, provide details of any business relationships that the consultant or any entity in their group maintains with this company or any company in its group.

The independent external expert who has aided in the Board of Directors assessment process has intervened throughout the financial year in the provision of other consulting services for the Company, and there are no known significant business relationships between the Company and the external consultant or any other company in its group.

Furthermore, it is indicated that the external expert who has assisted in the Board of Directors assessment process has not advised the company on appointment of directors or senior managers or on remuneration systems.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances established in applicable law, directors will resign from their post when the term for which they were appointed expires, unless they are re-appointed.

Accordingly, as set forth in Article 12 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation, in the following circumstances:

- If they find themselves in circumstances deemed incompatible or prohibited under current legislation, in the Bylaws or in the Regulations of the Board of Directors.
- When significant changes occur in their personal or professional situation that may affect the status under which they were appointed to the Board.
- When they are in serious dereliction of their duties as director;
- When, for reasons attributable to them, acting in their capacity as director, serious damage has been done to the Company's net worth, standing or reputation; or
- When they are no longer fit to hold the position of director at the Bank.

C.1.20 Are supermajorities, other than those provided for by law, required for any type of decision?

No

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, to be appointed chairman of the board of directors.

No

C.1.22 Indicate whether the bylaws or regulations of the board establish an age limit for directors:

Yes

	Age limit
Group Executive Chairman	-
Chief Executive Officer	-
Director	75

Remarks
As stipulated in Article 4 of the BBVA Regulations of the Board of Directors, directors will resign from their posts, in all circumstances, upon reaching 75 years of age, and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.23 Indicate whether the bylaws or regulations of the board establish a limited term or other stricter requirements for independent directors in addition to those provided for by law:

No

C.1.24 Indicate whether the bylaws or regulations of the board of directors establish specific rules for proxy voting within the board of directors in favour of other directors, how this is carried out and, in particular, the maximum number of proxies that a director may have and whether there are any restrictions as to what types of directors may be appointed as a proxy, beyond the limitations provided for by law. Where applicable, provide a brief description of these rules.

Article 5 of the BBVA Regulations of the Board of Directors establishes that directors are required to attend meetings of the corporate bodies of which they form part, unless they have a justifiable reason for not doing so. Directors will participate in the deliberations, discussions and debates on matters submitted for their consideration and must personally attend the meetings held.

However, as set forth in Article 26 of the Regulations of the Board of Directors, if it is not be possible for a director to attend a meeting of the Board of Directors, this director may authorise another director to act as their proxy and cast votes on their behalf, by sending a letter or email to the Company with the information needed by the proxy director to follow the absent director's instructions. Applicable legislation states, however, that non-executive directors may only grant proxy to another non-executive director. In addition, this same system applies to attendance at meetings of Board of Directors committees.

C.1.25 Indicate the number of meetings that the Board of Directors has held during the financial year. In addition, where applicable, indicate how many times the board met without the chairman in attendance. For calculation purposes, the chairman will be deemed to have been in attendance if represented by a proxy provided with specific instructions.

Number of board meetings	15
Number of board meetings without the chairman in attendance	0

Indicate how many meetings were held by the lead director with the other board members, without any executive director in attendance or represented:

Number of meetings	66

Remarks
BBVA's Board of Directors has a Lead Director who performs the duties set forth in the applicable legislation, as well as those stipulated by Article 21 of the Regulations of the Board of Directors. With regard to the duties assigned to this position, during the financial year, the Lead Director maintained ongoing contact, held recurring meetings and had conversations with other directors of the Bank in order to seek their opinions on the corporate governance and operation of the Bank's corporate bodies. In addition, in accordance with Article 37 of the Regulations of the Board, the Lead Director held and coordinated monthly meetings of non-executive directors, which took place following the meetings of the Board of Directors. Furthermore, as of the date of this report, the Lead Director serves as Chair of the Risk and Compliance Committee and as a member of the Appointments and Corporate Governance Committee, which are composed of non-executive directors with a majority of independent directors. In addition, the Lead Director has held individual meetings with non-executive directors within the framework of the Board's annual self-assessment process, in addition to those meetings described above, in order to fully fulfil his duties. In addition to the above, it should be noted that the number of meetings indicated does not include those informal meetings that the Lead Director frequently holds with the other directors of the Bank since, due to their very nature, there is no record of them nor are they documented.

Indicate how many meetings were held by the board committees during the financial year:

Number of meetings of the executive committee	22
Number of meetings of the audit committee	15
Number of meetings of the appointments and corporate governance committee	5
Number of meetings of the remunerations committee	7
Number of meetings of the risk and compliance committee	22
Number of meetings of the technology and cybersecurity committee	8

C.1.26 Indicate how many meetings were held by the board of directors during the financial year and provide details on the attendance of its members:

Number of meetings attended in person by at least 80% of the directors	15
% of in-person attendance of the total number of votes cast during the financial year	98.67%
Number of meetings where all directors, or proxies granted with specific instructions, attended in person	15
% of votes cast by directors attending in person and through proxies granted with specific instructions of the total number of votes cast during the financial year	100%

Remarks
The Board of Directors holds monthly ordinary meetings in accordance with the annual schedule of ordinary meetings drawn up before the beginning of the financial year, and extraordinary meetings as often as deemed necessary. In addition, the Board of Directors meetings were held remotely, connecting all its members through remote means of communication that allowed attendees to be recognised, as well as to interact and contribute in real time, guaranteeing the unity of the event. Meetings were also held in person, always taking into account the evolution of the pandemic caused by the coronavirus and the measures taken in this regard by the authorities.

C.1.27 Indicate whether the individual or consolidated annual financial statements that are being presented to the board for approval have been certified beforehand:

No

Where appropriate, identify the person(s) who has/have certified the company's individual and consolidated annual financial statements prior to board approval:

C.1.28 Explain the mechanisms, if any, established by the board of directors to ensure that the annual financial statements presented by the board of directors to the general shareholders' meeting are prepared in accordance with accounting regulations.

Article 32 of the BBVA Regulations of the Board of Directors specifies that the main task of the Audit Committee, which is composed exclusively of independent directors, is to assist the Board of Directors in supervising the preparation of the financial statements and public information, as well the relationship with the external auditor and the Internal Audit area.

In this regard, in accordance with Article 5 of the Regulations of the Audit Committee, it is the responsibility of the Audit Committee to oversee the process of preparing and reporting financial information and submit recommendations or proposals on safeguarding the integrity thereof to the Board of Directors.

It is also the responsibility of the Audit Committee to analyse all financial information and in the rest of the required financial information and any related non-financial information contained in the annual, half-yearly and quarterly financial statements of both the Bank and its consolidated Group, prior to their submission to the Board of Directors and with sufficient depth so as to verify their accuracy, reliability, adequacy and clarity.

It is also the Committee's responsibility to review the correct application of accounting criteria, as well as all relevant changes relating to the accounting principles used and the presentation of the financial statements, including the accurate demarcation of the consolidation perimeter.

Similarly, in accordance with Article 5 of the Regulations of the Audit Committee, said Committee is responsible for monitoring the effectiveness of the Company's internal control and risk management systems in the preparation and presentation of financial information (including tax-related risks).

In the performance of these functions, the Audit Committee maintains direct and ongoing contact with the heads of the area in the Group responsible for Accounting functions through monthly meetings, monitoring the evolution of the main figures on the Balance Sheet and the Income Statement of the Bank and its Group each month; overseeing the accounting policies, practices and principles as well as the valuation criteria followed by the Bank and the Group during the process of preparing and submitting the corresponding financial information; and analysing changes made in relation to the main applicable accounting regulations, as well as the main impacts that their incorporation has had on the financial information of the Bank and its Group. To this end, the Committee had all of the information that it required, with the level of aggregation deemed appropriate.

In addition, given that the external audit is one of the core elements in the chain of control mechanisms established to ensure the quality and integrity of the financial information, in accordance with the Regulations of the Audit Committee, it is the Committee's responsibility to check, at appropriate intervals, that the external audit schedule of work is being conducted under the agreed conditions, and that this satisfies the requirements of the competent authorities and the corporate bodies.

Moreover, it will require the auditor to periodically—at least once a year—provide an evaluation of the quality of the internal control procedures regarding the preparation and presentation of the Group's financial information, discussing with the auditor any weaknesses in the internal control system identified during the audit, without undermining its independence, to then be able to submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.

The Committee will also be apprised of any infringements, situations requiring adjustments or anomalies that may be detected during the external audit and are material in nature, i.e. those that, in isolation or as a whole, could cause significant and substantive harm to the Group's net worth, earnings or reputation. Discernment of such matters will be at the discretion of the external auditor who, if in doubt, must opt to report on them.

These matters are carefully considered by the Audit Committee, which maintains direct and ongoing contact with the external auditors through monthly meetings not attended by the Bank's executives. At these meetings, the auditors provide detailed information on their work and the results thereof, which enables the Committee to continuously monitor said work and the conclusions thereof, ensuring that it is performed under optimal conditions and without interference from management.

C.1.29 Is the secretary of the board a director?

No

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
Domingo Armengol Calvo	-

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, and, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how legal measures have been implemented in practice.

As set forth in the Regulations of the Audit Committee, one of the Committee's functions, described in the following Section C.2.1, is to guarantee the independence of the statutory auditor through a dual approach:

- Avoiding any possibility that the auditor's warnings, opinions or recommendations may be adversely influenced. To this end, the Committee must ensure that compensation for the auditor's work does not compromise either its quality or independence, in compliance with the account auditing legislation in force at any given moment.
- Establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable

legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required, and this decision may be delegated in advance to its Chair. The auditor will be prohibited from providing unauthorised services outside the scope of the audit, in compliance with the auditing legislation in force at any given moment.

This matter is carefully considered by the Audit Committee, which holds meetings with the auditor's representatives at each of the monthly meetings it has, without Bank executives in attendance, to gain a detailed understanding of any issues that may hinder the audit process, the progress and quality of the work carried out, and to confirm independence in the performance of its work.

The Committee also continually oversees the engagement of additional services to guarantee compliance with the Regulations of the Audit Committee and with applicable legislation and thus the independence of the auditor, in accordance with the Bank's internal procedure established for these purposes.

Moreover, in accordance with the provisions of Point f), Section 4 of Article 529 *quaterdecies* of the Spanish Corporate Enterprises Act and Article 5 of the Regulations of the Audit Committee, each year before the audit report is issued, the Committee must issue a report expressing its opinion on whether or not the independence of the auditor has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every kind of additional service provided to the Group companies, considered individually and collectively, except the legal audit and those relating to independence or the regulations on audit activity. Each year, the auditor must issue a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with detailed and itemised information on any kind of additional services provided to these entities by the external auditor, or by the individuals or entities linked to it, as set out in the consolidated text of the Spanish Account Auditing Act.

The relevant auditor and Audit Committee reports confirming the statutory auditor's independence with respect to the 2021 financial year have been issued, in compliance with the legislation in force.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

The Board of Directors also has a policy in place for communication and interaction with shareholders and investors. The policy is governed by the principle of equal treatment for all shareholders and investors, who are in the same position in terms of information, involvement and the exercise of their rights as shareholders and investors, inter alia.

Moreover, this policy contains the principles and channels established in relation to shareholders and investors, which govern, where applicable, BBVA relations with other stakeholders, such as financial analysts, Bank share management companies and custodians, and proxy advisors, among others.

C.1.31 Indicate whether the company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

No

If there were any disagreements with the outgoing auditor, explain these disagreements:

No

C.1.32 Indicate whether the auditing firm does any other work for the company and/or its group other than audit work. If so, state the amount of fees received for such work and the percentage that the aforementioned amount represents of the total fees billed to the company and/or its group for audit work:

Yes

	Company	**Group companies**	**Total**
Amount of non-audit work (thousands of euro)	20	185	205
Amount of non-audit work/total amount billed by the auditing firm (%)	0.15%	1.46%	0.78%

C.1.33 Indicate whether the audit report on the annual financial statements for the previous financial year contained qualifications. If so, indicate the reasons given by the chair of the audit committee to the shareholders at the General Meeting to explain the content and scope of such qualifications.

No

C.1.34 Indicate the number of consecutive financial years during which the current auditing firm has been auditing the individual and/or consolidated annual financial statements of the company. Likewise, indicate the total number of financial years audited by the current auditing firm as a percentage of the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive financial years	5	5
Number of financial years audited by the current auditing firm/ number of financial years the company or its group have been audited (%)	23.81%	23.81%

C.1.35 Indicate whether there is a procedure in place (and provide details, where applicable) whereby directors are provided with the information they need with sufficient time to be able to prepare for meetings of the management bodies:

Yes

Details of the procedure

As set forth in Article 5 of the Regulations of the Board of Directors, prior to the meetings, directors will be provided with the information needed to form an opinion with respect to the matters within the remit of the Bank's corporate bodies, and may ask for any additional information and advice required to perform their duties. They may also ask the Board of Directors for external expert help for any matters put to their consideration whose special complexity or importance so requires.

These rights will be exercised through the Chairman or Secretary of the Board of Directors, who will attend to requests by providing the information directly or by establishing suitable arrangements within the organisation for this purpose, unless a specific procedure has been established in the regulations governing the Board of Directors' committees.

Furthermore, as set forth in Article 28 of the Regulations of the Board of Directors, the directors will be provided with such information or clarifications as deemed necessary or appropriate with regards to the matters to be discussed at the meeting, either before or after the meetings are held.

In addition, BBVA's information model ensures that decisions are made on the basis of complete, comprehensive, appropriate and consistent information, prepared in accordance with common principles so that analyses carried out by the corporate bodies are based on the correct data, thus allowing directors to perform their duties to the best of their ability.

Thus, the Bank's corporate bodies have a procedure in place for checking the information submitted for consideration, coordinated by the Board's Secretariat with the departments responsible for the information, in order to provide directors with complete, comprehensive, appropriate and consistent information in sufficient time for the meetings of the Bank's various corporate bodies. Prior to such meetings, information is made available to the Bank's corporate bodies via an online system, to which all members of the Board have access.

C.1.36 Indicate and, where applicable, provide details regarding whether the company has established rules that require directors to report and, if applicable, resign in the event they are affected by circumstances that, whether or not related to their actions at the company itself, could harm the company's standing and reputation:

Yes

Explanation of the rules

As set forth in Article 12 of the Regulations of the Board of Directors, directors must also inform the Board of Directors of any circumstances that may affect them and harm the Company's standing and reputation, and any circumstances that may have an impact on their suitability to perform their role.

Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office. Should the Board decide against their continuing, they are required to tender their resignation when, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's net worth, standing or reputation or when they are no longer suitable to hold the status of director at the Bank, among other circumstances referred to in Section C.1.19 of this report.

C.1.37 Indicate, unless there have been special circumstances recorded in the minutes, whether the board was informed or otherwise came to know of any situation concerning a director, whether or not related to their actions at the company itself, that could harm the company's standing and reputation:

No

C.1.38 Detail any significant agreements entered into by the company that are coming into force, or were amended or concluded, as a result of a change in the control of the company stemming from a public takeover bid, and the effects thereof.

The Company has not reached any significant agreements that are coming into force, or were amended or concluded as a result of a change in the control of the Company stemming from a public takeover bid.

C.1.39 Identify, on an individual basis when referring to directors and in the aggregate for all other cases, and indicate in detail, any agreements between the company and its directors, managers or employees that provide for severance pay (guarantee or golden parachute clauses) in the event such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end owing to a public takeover bid or other type of transaction.

Number of beneficiaries	61
Beneficiary type	**Description of the agreement**
61 managers and employees	The Bank has no payment or severance commitments to directors. As at 31 December 2021, in accordance with the provisions of their contracts, 61 managers and employees are entitled to a severance pay in the event of leaving on grounds other than their own will, retirement, disability or serious dereliction of duties. Its amount will be calculated by factoring in the fixed elements of the Bank employee's salary and length of service and will not, under any circumstances, be paid in the event of dismissal for misconduct at the employer's decision on grounds of the employee's serious dereliction of duties.

Indicate whether, in addition to the circumstances provided for by law, these contracts are required to be communicated to and/or approved by bodies of the company or its group. If so, specify the procedures, the circumstances provided for and the nature of the bodies responsible for such approval or communication:

	Board of directors	**General meeting**
Body that authorises the clauses	Yes	No

	YES	**NO**
Is the general meeting informed of these clauses?	X	

Remarks
The Board of Directors approves resolutions relating to the basic contractual conditions of members of Senior Management, pursuant to the provisions of Article 17 of the Regulations of the Board and at the proposal of the Remunerations Committee, which are hereby notified to the General Meeting through this Report and through the information contained in the Annual Financial Statements, but does not approve the conditions applicable to other employees.

C.2 Committees of the board of directors

C.2.1 Detail all of the committees of the board of directors, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

EXECUTIVE COMMITTEE

Name	Position	Type
Carlos Torres Vila	Chair	Executive
Onur Genç	Member	Executive
José Miguel Andrés Torrecillas	Member	Independent
Jaime Caruana Lacorte	Member	Independent
José Maldonado Ramos	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of executive directors	33.33%
% of proprietary directors	0%
% of independent directors	33.33%
% of other external directors	33.33%

Explain the functions that have been delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of its own Regulations, the Executive Committee will be made aware of matters that the Board, as required by law, the Bylaws, the Regulations of the Board or its own Regulations, resolves to delegate to it.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Executive Committee, the Committee performs the following functions:

- Supporting the Board in its decision-making:

  I. In relation to strategy: establishment of the bases on which proposals are prepared and prior analysis of proposals submitted to the Board regarding the Strategic Plan or other strategic decisions such as the Risk Appetite Framework (RAF); prior analysis of the strategic and financial aspects of proposals submitted to the Board regarding corporate operations that fall within its decision-making remit; and decision-making or implementation of the mandates which are expressly delegated to it by the Board in these areas, once the decisions within its remit have been adopted.

  II. In relation to budgets: prior analysis of budget proposals submitted to the Board; decision-making within its remit with regard to the implementation of the budget approved by the Board; and analysis of deviations from the approved budget.

  III. In relation to finance: establishment of the bases on which proposals are prepared and prior analysis of proposals submitted to the Board regarding the funding plan, the capital and liquidity structure and the Bank's dividend policy; and decision-making on the implementation of mandates conferred upon it by the Board in these areas.

  IV. In relation to business risk: analysis of matters relating to business risk in the proposals and plans submitted to the Board; and, in relation to reputational risk, analysis, evaluation and management of matters relating to reputational risk.

- Prior reporting of policies submitted to the Board and approval of Company and Group general policies: analysis, prior to their consideration by the Board, of the general Group and Company policies that, in accordance with the law or internal regulations, must be approved by the Board, except for policies relating to issues handled by other Board committees, which will be approved or reported to the Board beforehand by the appropriate committee.

- Oversight and control of the following matters: (i) Group activity and results; (ii) budgetary monitoring; (iii) progress of the Strategic Plan, by analysing key performance indicators established for this purpose; (iv) monitoring of the Group's funding and liquidity plan and capital situation, as well as the activities of the Assets and Liabilities Committee; (v) monitoring of changes in the risk profile and core metrics defined by the Board; (vi) share-price performance and changes in shareholder composition; (vii) analysis of the markets in which the Group operates; and (viii) progress of projects and investments agreed within its remit, as well as those agreed by the Board within the strategic sphere.

- Decision-making powers on the following matters: (i) investments and divestments between EUR 50 million and EUR 400 million, unless they are of a strategic nature, in which case they will be the Board's responsibility; (ii) plans and projects that are considered to be of importance to the Group and that arise from its activities, and that are not within the remit of the Board; (iii) decisions regarding the assumption of risks that exceed the limits set by the Board, which must be reported to the Board at its first meeting thereafter for ratification; (iv) granting and revoking of the Bank's powers; (v) proposals for the appointment and replacement of directors in the Bank's subsidiaries or affiliates with more than EUR 50 million in equity; and (vi) compliance so that executive directors may hold management positions in subsidiaries, in which the Bank holds a direct or indirect controlling interest, or in the Group's affiliate companies.

The Regulations of the Executive Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation.

The Regulations of the Executive Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda, and also set out the procedure for calling ordinary and extraordinary meetings.

For the proper performance of its functions, the Committee will have available, where necessary, the reports of the relevant Board committees on matters within their remits, and may request as a matter of relevance the attendance of the chairs of those committees at its own meetings where such reports are to be dealt with.

Other aspects of the organisation and operation of the Committee shall be dealt with in the Regulations of the Committee itself. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board, insofar as they are applicable.

The most significant actions carried out by the Executive Committee in the 2021 financial year are detailed in Section H of this Report.

AUDIT COMMITTEE

Name	Position	Type
Jaime Caruana Lacorte	Chair	Independent
José Miguel Andrés Torrecillas	Member	Independent
Belén Garijo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
Ana Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	100%
% of other external directors	0%

Explain the functions that have been assigned to this committee, including, where applicable, any that are in addition to those provided for by law, and describe the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The main task of the Audit Committee is to assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit area.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Audit Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board the Audit Committee is entrusted with the following functions, inter alia:

In relation to overseeing the financial statements and public information:

- To oversee the process of preparing and reporting financial information and to submit recommendations or proposals to the Board for safeguarding data integrity.
- Analyse, prior to their submission to the Board and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as all other required financial and related non-financial information.
- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.
- Monitor the effectiveness of the Company's internal control as well as its risk management systems, in terms of the process of preparing and reporting financial information, including tax-related risks, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence.

In relation to the Internal Audit function:

- Propose the selection, appointment, re-election and removal of the Head of the Internal Audit function to the Board of Directors; monitor the independence, effectiveness and functioning of the Internal Audit function; analyse and set objectives for the Head of the Internal Audit function and conduct a performance evaluation; ensure that the Internal Audit function has the necessary material and human resources; and analyse and, where appropriate, approve the annual work plan for the Internal Audit function.
- Receive monthly information from the Head of the Internal Audit function regarding the activities carried out by it, and regarding any incidents and obstacles that may arise, and verify that Senior Management takes into account the conclusions and recommendations of the reports; and also follow up on these plans.
- To be aware of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.

In relation to the external audit process:

- Submit to the Board any proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as for the engagement terms, and periodically obtain information from the external auditor on the external audit plan and its execution, in addition to preserving its independence in the performance of its functions.
- Ensure the independence of the auditor: (i) by avoiding any possibility that the auditor's warnings, opinions or recommendations may be adversely influenced, ensuring that compensation for the auditor's work does not compromise either its quality or independence; and (ii) by establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required.

- Establish appropriate relationships with the statutory auditor in order to receive information regarding any issues that may pose a threat to their independence and any other issues related to the account audit process.

- Where appropriate, authorise the provision of additional services by the auditor or associated persons or entities, excluding prohibited services, as required by applicable regulations in each case, under the terms provided for in auditing legislation.

- Issue, on an annual basis and before the audit report is issued, a report expressing an opinion on whether the statutory auditor's independence has been compromised. This report must contain a reasoned assessment of each of the additional services mentioned in the previous section, considered individually and collectively, over and above the legal audit and in relation to the independence requirements or to the rules governing the account auditing process.

- Ensure that the auditor holds an annual meeting with the full Board of Directors to inform it of the work undertaken and developments in the Company's risk and accounting situations.

The most significant actions and work carried out by the Audit Committee in the 2021 financial year, as well as its organisational and operational rules, are detailed in Section H of this Report.

Identify the directors who are members of the audit committee and have been appointed on the basis of their knowledge and experience of accounting, auditing or both, and specify the date on which the chair of this committee was appointed to the position.

Names of the directors with experience	Jaime Félix Caruana Lacorte José Miguel Andrés Torrecillas Belén Garijo López Lourdes Máiz Carro Ana Cristina Peralta Moreno
Date of appointment of the chair to the position	29 April 2019

APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Type
José Miguel Andrés Torrecillas	Chair	Independent
Belén Garijo López	Member	Independent
José Maldonado Ramos	Member	Other external
Juan Pi Llorens	Member	Independent
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the functions that have been assigned to this committee, including, where applicable, any that are in addition to those provided for by law, and describe the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The main task of the Appointments and Corporate Governance Committee is to assist the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors; the assessment of their performance; the drafting of succession plans; the Bank's Corporate Governance System; and the oversight of the conduct of directors and any conflicts of interest that may affect them.

Notwithstanding any others assigned to it by the law, the internal regulations of the Bank or by decision of the Board of Directors, the Appointments and Corporate Governance Committee has, among others, the following functions:

1. Submit proposals to the Board of Directors for the appointment, re-appointment or removal of independent directors and report on proposals for the appointment, re-appointment or removal of the remaining directors.

2. Propose to the Board of Directors the selection and diversity policies for members of the Board.

3. Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.

4. Analyse the structure, size and composition of the Board of Directors, at least once per year, when assessing its operation.

5. Analyse the suitability of the members of the Board of Directors.

6. Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.

7. Report on proposals for the appointment of Chairman and Secretary and, where appropriate, Deputy Chair and Deputy Secretary, as well as the Chief Executive Officer (*Consejero Delegado*).

8. Submit to the Board of Directors proposals for the appointment, dismissal or re-appointment of the Lead Director

9. Determine the procedure for assessing the performance of the Chairman of the Board of Directors, the Chief Executive Officer (*Consejero Delegado*), the Board of Directors as a whole and the Board's committees, and oversee its implementation.

10. Report on the quality and efficiency of the performance of the Board of Directors.

11. Report on the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, incorporating for the latter the assessment made in this regard by the Executive Committee, for the purpose of periodic evaluation of both by the Board.

12. Study and arrange the succession of the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chair, in conjunction with the Lead Director in the case of the Chair, and, where appropriate, draft proposals to the Board of Directors to ensure that the succession takes place in a planned and orderly manner.

13. Review the Board of Directors' policy on the selection and appointment of members of the Group's Senior Management, and file recommendations with the Board when applicable.

14. Report on proposals for the appointment and removal of senior managers.

15. Regularly review and assess the Company's Corporate Governance System and, where applicable, propose to the Board of Directors for its approval or submission at the General Shareholders' Meeting any amendments and updates that would facilitate its implementation and continuous improvement.

The organisational and operational rules and the most significant actions carried out by the Appointments and Corporate Governance Committee in the 2021 financial year are detailed in Section H of this Report.

REMUNERATIONS COMMITTEE

Name	Position	Type
Belén Garijo López	Chair	Independent
Lourdes Máiz Carro	Member	Independent
Ana Peralta Moreno	Member	Independent
Carlos Salazar Lomelín	Member	Other external
Jan Verplancke	Member	Independent

% of proprietary directors	0%
% of independent directors	80%
% of other external directors	20%

Explain the functions that have been assigned to this committee, including, where applicable, any that are in addition to those provided for by law, and describe the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The main task of the Remunerations Committee is to assist the Board of Directors in remuneration matters within its remit and, in particular, those relating to the remuneration of directors, senior managers and those employees whose professional activities have a significant impact on the risk profile of the Group (hereinafter, the Identified Staff), ensuring that the established remuneration policies are observed.

More specifically, in accordance with the powers that are assigned to it by Article 5 of the Regulations of the Remunerations Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board, the Remunerations Committee broadly performs the following functions:

1. Propose to the Board of Directors, for submission to the General Meeting, the Remuneration Policy for BBVA Directors, and also submit to the Board its corresponding report, all in accordance with the terms established by applicable regulations at any given moment.

2. Determine the remuneration of non-executive directors, as provided for in the Remuneration Policy for BBVA Directors, and submit the corresponding proposals to the Board of Directors.

3. Determine the extent and amount of individual remunerations, rights and other economic rewards, as well as other contractual conditions for executive directors, so that these can be contractually agreed in line with the Remuneration Policy for BBVA Directors, by submitting the relevant proposals to the Board.
4. Determine and propose to the Board the objectives and criteria for measuring the variable remuneration of the executive directors, and evaluate their degree of achievement.

5. Analyse, where appropriate, the need to make ex-ante or ex-post adjustments to variable remuneration, including the application of reduction or recovery arrangements for variable remuneration, submitting the corresponding proposals to the Board, based on the report from the relevant committees in each case.

6. Present an annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Annual General Shareholders' Meeting, in accordance with the provisions of the applicable law.

7. Propose to the Board of Directors, and oversee the implementation of, the remuneration policy for senior managers and other employees of the Identified Staff, including the process of determining the Identified Staff.

8. Propose to the Board of Directors, and oversee the implementation of, the remuneration policy for the Group, which may include the policy for senior managers and other employees of the Identified Staff, stated in the previous paragraph.

9. Submit to the Board of Directors the proposals for basic contractual conditions for senior managers, including their remuneration and compensation in the event they leave their role.

10. Directly oversee the remuneration of senior managers and, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring variable remuneration of the heads of the Regulation & Internal Control area and the Internal Audit area, submitting the corresponding proposals to the Board of Directors, based on those submitted to it in turn by the Risk and Compliance Committee and the Audit Committee, respectively.

11. Ensure compliance with the remuneration policies established by the Company and review them periodically, proposing, where appropriate, any modifications that it deems necessary to ensure, amongst other things, that they are adequate for the purposes of attracting and retaining the best professionals, and that they contribute to the creation of long-term value and adequate control and management of risks, and address the principle of equal pay. In particular, the Committee shall ensure that the remuneration policies established by the Company are subject to internal, central and independent review at least once a year.

12. Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the Annual Report on the Remuneration of Directors.

13. Supervise the selection of external advisers, whose advice or support is required for the performance of their duties in remuneration matters, ensuring that any conflicts of interest do not impair the independence of the advice provided.

The organisational and operational rules and the most significant actions carried out by the Remunerations Committee in the 2021 financial year are detailed in Section H of this Report.

RISK AND COMPLIANCE COMMITTEE

Name	Position	Type
Juan Pi Llorens	Chair	Independent
Jaime Caruana Lacorte	Member	Independent
Raúl Galamba de Oliveira	Member	Independent
Ana Revenga Shanklin	Member	Independent
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	80%
% of other external directors	20%

Explain the functions that have been assigned to this committee and describe the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The main task of the Risk and Compliance Committee (RCC) is to assist the Board in the determination and monitoring of the Group's risk control and management policy, including internal risk control and non-financial risks, with the exception of those related to internal financial control, which are the responsibility of the Audit Committee; those related to technological risk, which are the responsibility of the Technology and Cybersecurity Committee; and those related to business and reputational risk, which are the responsibility of the Executive Committee. It also assists the Board in monitoring the Compliance function and implementing a risk and compliance culture in the Group.

More specifically, in accordance with Article 5 of its Regulations and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board, the Risk and Compliance Committee is entrusted with the following functions:

1. Analyse, in accordance with the strategic basis set by the Board or the Executive Committee, and submit to the Board proposals on the Group's risk strategy, control and management, including the Group's risk appetite and the establishment of a risk level considered acceptable according to the Group's risk profile and risk capital, broken down by its businesses and areas of activity; on the basis of the strategic financial approaches determined by the Board and the Executive Committee.

2. Propose the policies of control and management of the different risks of the Group, within its scope of competence, in a manner that is consistent with the Risk Appetite Framework established by the Board.

3. Monitor the effectiveness of the Regulation & Internal Control function (which includes the Regulatory, Supervisory, Compliance, Internal Risk Control and Non-Financial Risk Units) and, in particular: (a) propose to the Board the appointment and separation of the individual responsible for the function; (b) analyse and establish the objectives of the individual responsible for the function and assess their performance; (c) ensure that the function has the resources necessary for the effective performance of their function; and d) analyse and/or approve the annual work plan of the function and monitor its compliance.

4. Receive monthly information from the Head of Regulation & Internal Control regarding their activities, as well as regarding any incidents that may arise, and verify that the Group's Senior Management takes into account the conclusions and recommendations of their reports.

5. Monitor the evolution of the risks faced by the Group and their compatibility with established strategies and policies, and with the Group's Risk Appetite Framework and monitor risk-measurement procedures, tools and indicators established at the Group level to obtain a global view of the risks faced by the Bank and the Group; monitor compliance with prudential regulations and supervisory risk requirements; and analyse measures to mitigate the impact of identified risks, should they materialise.

6. Analyse the risks associated with strategic projects or corporate operations to be presented to the Board or the EC, within its scope of competence and, where appropriate, submit a report.

7. Analyse risk operations that will be submitted to the Board or the Executive Committee for consideration.

8. Examine whether the prices of the assets and liabilities offered to customers take into account the Bank's business model and risk strategy and, if not, submit a plan to the Board aimed at rectifying the situation.

9. Participate in the process of establishing the remunerations policy, checking that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated.

10. Check that the Group has the means, systems, structures and resources that are consistent with best practices to implement their risk management strategy, ensuring that the risk management mechanisms are adequate in relation thereto.

11. Provide information on the matters within its competence provided for in law or company regulations, prior to the adoption of the corresponding resolutions by the Board, where relevant.

12. Ensure compliance with applicable regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, and ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in an appropriate manner.

13. Receive information about any breaches of applicable regulations and relevant events that the areas reporting to it have detected during its monitoring and control operations, and to be informed of relevant issues related to legal risks that may arise in the course of the Group's activity.

14. Examine draft codes of ethics and conduct and their modifications, prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be drafted to the Corporate Bodies.

15. Have knowledge of the reports, submissions or communications from external supervisory bodies, and confirm that the instructions, requirements and recommendations received from the supervisory bodies are implemented in an appropriate manner in order to correct any irregularities, deficiencies or inadequacies that have been identified.

16. To ensure the promotion of risk culture across the Group.

17. To supervise the Group's criminal risk prevention model.

18. Review and monitor the systems for reporting by employees of possible irregularities in financial information or other matters.

The organisational and operational rules and the most significant actions carried out by the RCC in the 2021 financial year are detailed in Section H of this Report.

TECHNOLOGY AND CYBERSECURITY COMMITTEE

Name	Position	Type
Carlos Torres Vila	Chair	Executive
Raúl Galamba de Oliveira	Member	Independent
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Verplancke	Member	Independent

% of executive directors	20%
% of proprietary directors	0%
% of independent directors	80%
% of other external directors	0%

Explain the functions that have been assigned to this committee and describe the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The main task of the Technology and Cybersecurity Committee is to assist the Board of Directors in monitoring technological risk, in managing cybersecurity and in monitoring the Group's technological strategy.

Specifically, in accordance with the powers assigned to it by Article 5 of the Technology and Cybersecurity Committee Regulations, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board, the Technology and Cybersecurity

Committee shall perform the following functions, which fall into two categories:

(a) Functions relating to monitoring technological risk and managing cybersecurity, such as:

(i) Reviewing the Bank's main technological risks, including risks related to information security and cybersecurity, as well as the procedures adopted by the executive area for monitoring and controlling these exposures.

(ii) Reviewing the policies and systems for assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyberattacks.

(iii) Being informed of business continuity plans regarding technology and technological infrastructure matters.

(iv) Being informed, as appropriate, about: (i) compliance risks associated with information technology; (ii) the procedures established for identifying, assessing, overseeing, managing and mitigating these risks.

(v) Being informed about any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either individually or as a whole, may cause significant impact or harm to the Group's net equity, results or reputation.

(vi) Being informed, as required, by the Head of the Technological Security area regarding the activities it carries out, as well as any incidents that may arise.

(b) Functions related to the Technology Strategy:

(i) Being informed, as appropriate, of the technology strategy and trends that may affect the Bank's strategic plans, including through monitoring general trends in the sector.

(ii) Being informed, as appropriate, of the metrics established by the Group for management and control in the technological area, including the Group's developments and investments in this area.

(iii) Being informed, as appropriate, of issues related to new technologies, applications, information systems and best practices that may affect the Group's technological plans or strategy.

(iv) Being informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering Area.

(v) Reporting to the Board of Directors and, where appropriate, to the Executive Committee, on matters related to information technologies falling within its remit.

The organisational and operational rules and the most significant actions carried out by the Technology and Cybersecurity Committee during the 2021 financial year are detailed in Section H of this Report.

C.2.2 Fill in the following table with information on the number of female directors sitting on the committees of the board of directors as of the end of the last four financial years:

	Number of female directors							
	Year 2021		**Year 2020**		**Financial year 2019**		**Financial year 2018**	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66%	1	16.66%	1	16.66%	1	16.66%
Audit Committee	3	60%	3	60%	3	60%	3	60%
Appointments and Corporate Governance Committee	2	40%	2	40%	2	40%	3	60%

Remunerations Committee	3	60%	3	60%	3	60%	3	60%
Risk and Compliance Committee	2	40%	2	40%	1	20%	1	20%
Technology and Cybersecurity Committee	-	-	-	-	-	-	-	-

C.2.3 Indicate, where applicable, if there are regulations governing the board committees, where they may be consulted and any amendments made thereto during the financial year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

All the Committees of the Board of Directors have their own regulations, approved by the Board and available on the Bank's corporate website (www.bbva.com), under Shareholders and Investors, Corporate Governance and Remuneration Policy, in the Board Committees section. The regulations were not amended during the 2021 financial year.

In addition, within the framework of the annual process of evaluating their operation, all the Board Committees have prepared and submitted a report to the Board of Directors detailing the activity carried out by each of them in the exercise of their functions during the 2021 financial year, and which are described in section H of this Report, further to section C.2.1.

D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure and competent bodies, if any, for the approval of related-party and intra-group transactions, indicating the general criteria and internal rules of the entity that regulate the obligation of the affected directors or shareholders to abstain and detailing the internal procedures relating to reporting and periodic control established by the company in relation to related-party transactions whose approval has been delegated by the board of directors.

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 shareholders who have, individually or together with others, significant shareholdings, as well as with related persons to them.

In addition, in its capacity as a credit institution, BBVA is subject to specific sectorial regulations which, with regard to transactions with related persons, 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, which completes the adaptation to Spanish law of Directive 2013/36/EU and Regulation (EU) No 575/2013, on the extension of credit and guarantees to members of the Board of Directors and Senior Management. The foregoing transactions are subject to approval by the Board of Directors and, in the event that the requirements established by the aforementioned applicable regulations are fulfilled, are submitted to the Bank of Spain for authorisation.

In accordance with applicable sectorial legislation, the Bank has specific internal regulations in this regard, which specifically govern the process of granting and approving credit risk transactions as described above for members of BBVA's Board of Directors and Senior Management, the approval of which, as indicated, lies with the Bank's Board of Directors, and for related parties.

Furthermore, following the amendments to the Corporate Enterprises Act regarding the regime for related-party transactions in listed companies, introduced by Act 5/2021 of 12 April, the General Meeting will be responsible for the approval of related-party transactions with an amount or value equal to or greater than 10% of the company's total assets according to its last approved annual balance sheet; while the Board of Directors will be responsible for the approval of all other related-party transactions, and may not delegate transactions except those that fulfil certain requirements stipulated in the Corporate Enterprises Act.

On the basis of the regulations established by the Spanish Corporate Enterprises Act, the Board of Directors resolved to delegate, to those responsible for certain executive areas of the Bank, the approval of related-party transactions that: (i) are carried out pursuant to contracts with standard terms that are widely applicable to a large number of customers, at prices that are set on a general basis by the party acting as a supplier of the goods or services in question, where the amount thereof does not exceed 0.5% of the net turnover contained in the most recent consolidated annual financial statements; and (ii) are carried out between companies that are part of the same group and in the ordinary course of business and on market terms, with transactions with credit risk that, as indicated, have a specific approval procedure that corresponds to the Board of Directors, being excluded from such delegation.

Similarly, with regard to the approval of delegated related-party transactions, the Board of Directors approved an internal procedure for periodic reporting and control regarding such transactions to enable the Bank's corporate bodies to monitor their fairness and transparency, as well as compliance with applicable legal requirements, in particular those established in this respect by the Corporate Enterprises Act, the supervision of which will be the responsibility of the Audit Committee which, on a half-yearly basis, will analyse the transactions, if any, approved on the basis of the delegation conferred.

The regulations established with regard to the handling of possible conflicts of interest and the rules regarding abstention are described in section D.6.

D.2 Individually detail transactions that are significant due to their amount or content entered into between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or represented on the board of directors of the company, and indicate the competent body for the approval thereof and whether any affected shareholder or director abstained from voting thereon. If the board is the competent body, indicate whether the proposed resolution was approved by the board without a majority of the independent directors having voted against such proposal:

Name or corporate name of the shareholder or any of its subsidiaries	% shareholding	Name or corporate name of the company or subsidiary	Nature of the transaction	Type of transaction and other information required to evaluate the same	Amount (thousands of euro)	Approving body	Name of any abstaining significant shareholders or directors	The proposal to the general meeting, where applicable, has been approved by the board without a majority of the independent directors having voted against the same.

D.3 Individually detail transactions that are significant due to their amount or content entered into between the company or its subsidiaries and directors or executives of the company, including transactions entered into with entities controlled or jointly controlled by the director or executive, and indicate the competent body for the approval thereof and whether any affected shareholder or director abstained from voting thereon. If the board is the competent body, indicate whether the proposed resolution was approved by the board without a majority of the independent directors having voted against such proposal:

Name or corporate name of the directors or executives or of the entities under their control or joint control	Name or corporate name of the company or subsidiary	Relationship	Nature of the transaction and other information required to evaluate the same	Amount (thousands of euro)	Approving body	Name of any abstaining shareholders or directors	The proposal to the general meeting, where applicable, has been approved by the board without a majority of the independent directors having voted against the same.

D.4 Individually detail intra-group transactions that are significant due to their amount or content entered into between the company and its parent company or other entities belonging to the parent's group, including subsidiaries of the listed company, except in cases in which no other related party of the listed company has an interest in such subsidiaries or where the subsidiaries are wholly owned, directly or indirectly, by the listed company.

In any event, provide information regarding any intra-group transactions entered into with companies established in countries or territories considered to be tax havens:

Corporate name of the group company	Brief description of the transaction and other information required to evaluate the same	Amount (thousands of euro)
BBVA Global Finance LTD.	Current account deposits	2,676
BBVA Global Finance LTD.	Term account deposits	6,004
BBVA Global Finance LTD.	Issue-linked subordinated liabilities	176,949

D.5 Individually detail transactions that are significant due to their amount or content entered into between the company or its subsidiaries with other parties considered to be related parties in accordance with the International Accounting Standards adopted by the EU that have not been listed in the previous categories.

Corporate name of the related party	Brief description of the transaction and other information required to evaluate the same	Amount (thousands of euro)

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives, significant shareholders or other related parties.

Articles 7 and 8 of BBVA's Regulations of the Board of Directors regulate issues relating to possible conflicts of interest, in summary, as follows:

Article 7: Directors must adopt necessary measures to avoid incurring in situations where their interests, whether on their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in the Regulations of the Board of Directors.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these decisions relate to the appointment or severance of positions on the management body.

Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interests.

Article 8: The duty of avoiding situations of conflicts of interest referred to in Article 7 above obliges the directors to refrain from, in particular:

- Carrying out transactions with the Company, unless these relate to ordinary business, performed under standard conditions for customers and of insignificant quantity. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the Company's equity, financial situation and results.
- Using the name of the Company or invoking their position as director to unduly influence the performance of private transactions.
- Making use of corporate assets, including the Company's confidential information, for private ends.
- Taking advantage of the Company's business opportunities.
- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated with the performance of their position, unless they are mere tokens of courtesy.

- Engaging in activities on their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous sections be a related party to the director.

However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorisation is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by the General Shareholders' Meeting.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by the benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Shareholders' Meeting.

In other cases, the authorisation may also be resolved by the Board of Directors, provided that the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorised transaction will not do harm to the corporate equity or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval by the Board of Directors of the transactions of the Bank or companies within its Group with directors will be granted, where appropriate, after receiving a report from the Audit Committee.

Since BBVA is a credit institution, it is subject to the provisions of Spanish Act 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions (the LOSS), whereby the directors and general managers or similar may not obtain credits, bonds or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in Article 35 of Royal Decree 84/2015, implementing the LOSS, unless expressly authorised by the Bank of Spain.

Continued in Section H of this Report.

D.7 Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Spanish Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or one of its subsidiaries (other than those of the listed company) or engages in activities related to those of any one of them.

No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Control and Management System for financial and non-financial risks, including risks of a tax-related nature.

The BBVA Group has a general risk management and control model (hereinafter, the Model) adapted to its business model, its organisation, the countries in which it operates and its Corporate Governance System. This allows the BBVA Group to operate within the framework of the risk control and management strategy and policy defined by the Bank's corporate bodies, in which sustainability is specifically considered, and to adapt to an ever-changing economic and regulatory environment, addressing risk management on a global level in a manner adapted to the circumstances at any moment.

This Model, which is the responsibility of the Chief Risk Officer (CRO) and which must be updated or reviewed at least annually, is applied comprehensively in the Group and is made up of the basic elements set out below:

I. Governance and organisation

II. Risk Appetite Framework

III. Assessment, monitoring and reporting

IV. Infrastructure

The Group promotes the development of a risk culture that ensures consistent application of the Model within the Group, and that guarantees that the risk function is understood and internalised at all levels of the organisation.

The Model applies to the management and control of all financial and non-financial risks of the Group, including tax risks, without prejudice to the fact that, with regard to tax, in addition to the management of this type of risk as a non-financial risk, BBVA has a tax risk management policy based on an adequate control environment, a risk identification system and a process for the monitoring and continuous improvement of the effectiveness of the established controls. This management model is revised and assessed by an independent expert.

For more information on the basic elements of the Model, see General risk management and control model in the Risk management chapter of the individual and consolidated Management Reports for the 2021 financial year.

E.2 Identify the corporate bodies responsible for the preparation and enforcement of the Risk Control and Management System for financial and non-financial risks, including tax-related risks.

With regard to risks, the Board of Directors' responsibilities are those relating to establishing the policy for controlling and managing risk and the oversight and control of its implementation.

In addition, and for a proper discharge of its functions, the Board of Directors is assisted by the Risk and Compliance Committee (RCC) in the matters specified below. It is also assisted by the Executive Committee (EC), which focuses on strategy, finance and business-related matters in an integrated manner, in order to monitor the Group's risks.

In particular, the Board of Directors establishes the Group's risk strategy and, in the discharge of this function, determines the risk control and management policy, which is set out in: the BBVA Group's Risk Appetite Framework, which includes the Group's risk appetite statement, containing the general principles of the Group's risk strategy and its target profile, as well as a set of quantitative metrics (core metrics—with their respective statements—and metrics by type of risk) originating from said statement that reflect the Group's risk profile; the management policy framework for the different types of risk to which the Bank is or may be exposed, which contains the basic principles for managing and controlling risks consistently throughout the Group and in accordance with the Model and the Risk Appetite Framework; and the Model.

Furthermore, in parallel with the function of defining the risk strategy and within the scope of its risk monitoring, supervision and control functions, the Board of Directors monitors the evolution of the BBVA Group's risks as well as the risks of each of its main geographical and/or business areas, ensuring their compliance with the BBVA Group's Risk Appetite Framework, and also overseeing internal information and control systems.

At the executive level, the Chief Risk Officer is responsible for managing all of the Group's financial risks with the independence, authority, rank, experience, knowledge and resources required. They are responsible for ensuring, within their scope of functions, that the BBVA Group's risks are managed according to the established model.

For decision-making, the 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.

In addition, the chief risk officers of the geographical and business areas report functionally to the Chief Risk Officer of the Group and report operationally to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risk management function from the operating functions, and enable its alignment with the Group's risk-related general policies and goals.

With regard to non-financial risks and internal control, the Group has a Regulation & Internal Control area that is independent from the other units. This area is under the ultimate responsibility of the Global Head of Regulation & Internal Control, who is also appointed by the BBVA Board of Directors and depends hierarchically on the corporate bodies, to which reports on the performance of its functions. This area is responsible for proposing and implementing policies related to non-financial risks and the Group's Internal Control Model. It also includes, amongst others, the Non-Financial Risk, Regulatory Compliance and Internal Risk Control units.

For more information on the bodies responsible for risk management and control at BBVA, see Governance and organisation in the General risk management and control model section in the Risk management chapter of the individual and consolidated Management Reports for the 2021 financial year.

As far as tax risk is concerned, the Tax function of the BBVA Group is responsible for establishing the control mechanisms and internal rules necessary to ensure compliance with current tax regulations, as well as proposing tax strategy to the Board of Directors for their consideration and approval, where appropriate. In addition, the Audit Committee is responsible for overseeing the tax risks in the process of preparing and presenting financial information, which is evidenced by the reports made by the Head of the BBVA Group's Tax function to the Committee.

E.3 Indicate the primary financial and non-financial risks, including tax-related risks and, to the extent significant, risks derived from corruption (the latter being understood as those within the scope of Royal Decree Law 18/2017) that could impact the achievement of business objectives.

BBVA has processes to identify risks and analyse scenarios, enabling dynamic and advance risk management. These processes are forward-looking to ensure the identification of emerging risks.

Risks are identified and measured in a consistent manner and in line with approved methodologies. Their measurement includes the design and application of scenario analyses and the application of stress testing, and considers the controls to which the risks are subject.

In this regard, there are a number of emerging risks that could impact the Group's business performance. These risks are organised into the following large blocks:

- Risks associated with the COVID-19 pandemic
- Macroeconomic and geopolitical risks
- Regulatory and reputational risks
- Business, legal and operational risks

For more information on these risks, see Risk factors in the Risk management chapter of the individual and consolidated Management Reports for the 2021 financial year, and the Other non-financial risks chapter of the Non-Financial Information Statement, included in said Management Reports.

Likewise, amongst the possible crimes included in the criminal prevention model are those related to corruption, since there are a number of risks that could manifest in a company with characteristics such as those of BBVA. For more information, see Other standards of conduct and Criminal Prevention Model in the Compliance section, as reflected in the Company chapter of the Non-Financial Information Statement as reflected in the Consolidated Management Report for the 2021 financial year.

Moreover, and not having the significant risk character referred to in this paragraph, it should be noted that the Spanish judicial authorities are investigating the activities of the company Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). The investigation includes services provided to the Bank.

In relation to this, on 29 July 2019, the Bank was served the notice from Central Magistrates Court No. 6 of the Spanish National Court, citing the Bank as an investigated legal entity in the preliminary proceedings 96/2017 — investigation piece number 9 — for alleged events that could be constituent elements of the criminal offences of bribery of a public official, discovery and disclosure of secrets and corruption in business. On 3 February 2020 the Bank was notified of the order of Central Investigating Court No. 6 of the National High Court lifting secrecy of the proceedings. Certain Group managers and employees, both current and former, as well as some former directors, are also under investigation in relation to this case. The Bank is continuing to cooperate proactively with judicial authorities and has shared the relevant documentation arising from the internal investigation contracted by the entity in 2019 to contribute to a clarification of the events. As of the date of this report, no indictment has been filed against the Bank for any crime.

The above-mentioned criminal proceedings are in the pre-trial phase. It is therefore impossible at this time to predict their scope or duration, their possible outcome or the possible implications for the Group, including potential fines and losses and damage to the Group's reputation.

Continued in section H.

E.4 Identify whether the company has risk tolerance levels, including for tax-related risks.

The Group's Risk Appetite Framework, approved by the Board of Directors, determines the risks and the associated risk levels that the Group is prepared to assume to achieve its objectives, considering the organic development pattern of the business. These are expressed in terms of solvency, liquidity and funding, and profitability and 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: This contains the general principles of the Group's risk strategy and the target risk profile.
- Statements and core metrics: Derived from the appetite statement, these statements set out the general risk management principles in terms of solvency, liquidity and funding, profitability and income recurrence.
- Metrics by type or risk: Based on the core metrics and their thresholds, a series of metrics are determined for each type or risk and adherence to these ensures compliance with the core metrics and the Group's Risk Appetite Statement.

In addition to this Framework, the general principles for each type of risk as well as the level of management limits, which is defined and managed by the areas responsible for managing each type of risk in developing the structure of the metrics by type of risk, are established. This is to ensure that anticipatory risk management respects this structure and, in general, the established Risk Appetite Framework.

Each significant geographical area has its own Risk Appetite Framework consisting of its local Risk Appetite statement, core metrics and statements and metrics by type of risk, which should be consistent with those set at the Group level, but adapted to their reality and approved by the corresponding corporate bodies of each entity. This Appetite Framework is supplemented by the statements for each type of risk and has a limit structure that is in line consistent with the above.

The corporate Risk area (Global Risk Management) works together 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. Also, for local monitoring purposes, the Chief Risk Officer for the geographical and/or business area will periodically report on the evolution of the local Risk Appetite Framework metrics to its corporate bodies, as well as, where appropriate, to the appropriate local top-level committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

For more information on the Risk Appetite Framework described above and on its monitoring and management integration, see Risk Appetite framework in the General Risk management and control model section within the Risk management chapter of the individual and consolidated Management Reports for the 2021 financial year.

E.5 State what financial and non-financial risks, including tax-related risks, have arisen during the financial year.

Risk is inherent to financial activity, and the occurrence of minor and major risks is therefore an inseparable part of the Group's activities. BBVA therefore offers detailed information on the evolution of risks which, by their nature, continuously affect the Group in carrying out its activity. This information is provided in its annual financial statements (notes 7 and 19 on risk management and tax risks, respectively, in the BBVA Group's Consolidated Annual Financial Statements; and notes 5 and 17, on the same subject matters, in BBVA's Individual Annual Financial Statements, both for the 2021 financial year) and in the individual and consolidated Management Reports, both for the 2021 financial year (the Risk management chapter and Other non-financial risks chapter of the Non-Financial Information Statement).

E.6 Explain the response and oversight plans for the primary risks faced by the entity, including tax-related risks, and the procedures followed by the company to ensure that the board of directors responds to any new challenges.

The BBVA Group's internal control system for its operational risks is based on the best practices developed both in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management — Integrated Framework and in the Framework for Internal Control Systems in Banking Organisations drawn up by the Basel Bank for International Settlements (BIS).

The control model has a system comprising three lines of defence:

- The Group's business and support units constitute the **first line of defence**. They are responsible for primary management of current and emerging risks, and implementing control procedures for risk mitigation. They are also responsible for reporting to their business/support unit.

- The **second line of defence** is comprised of specialised control units in different areas of risk: Compliance, Legal, Finance, People, Physical security, Technological security, Information and Data Security, Suppliers, Internal Risk Control and Processes. This line defines the control frameworks in its specialist field, across the entire Entity, and provides training to areas exposed to risk. It also checks the identification of current and emerging risks carried out by the different business and support units, and the assessment carried out by these units on the adequacy and effectiveness of their control environments. This second line of defence is in place in all geographical areas in which the Group is present and acts in accordance with standardised practices that come from the corporate units in each of the fields.

  With regard to operational risk, the control activity of the first and second lines of defence is coordinated by the Non-Financial Risks Unit, which is responsible for providing the units with a common internal control methodology and global tools.

  The Group's Head of Non-Financial Risks is responsible for the function and, with the Chief Compliance Officer and the Head of Internal Risk Control, reports on its activity to the Head of the Regulation & Internal Control Area, with all of the foregoing reporting to the Risk and Compliance Committee and, in the case of the Global Head of Regulation & Internal Control, also to the Board, to which she reports directly, while also assisting the corporate bodies in any matters where requested.

  Moreover, as part of the second line of defence, the Group has a specific Internal Risk Control unit, within the area of Regulation & Internal Control, which, among other tasks, independently checks and monitors regulations and governance structure, in terms of financial risks, and the application and operation thereof in the area of Global Risk Management, as well as checking the development and implementation of financial risk management and control processes. It is also responsible for the validation of risk models.

  The Group's Head of Internal Risk Control is responsible for the function and reports on its activities and work plans to the Head of Regulation & Internal Control and to the Risk and Compliance Committee, assisting the Committee in any matters where requested, and in particular checking that the GRM reports presented to the Committee comply with the established criteria at all times.

  In addition, the Internal Risk Control function is global and transversal, covering all types of financial risks and having specific units in all geographical and/or business areas, with functional dependency on the Group's Head of Internal Risk Control.

  The Group also has Internal Financial Control and Technological Risk functions, which form part of its second line of defence. Those responsible for these functions both report to the Head of the Regulation & Internal Control Area, to the Heads of the Finance and Engineering Areas (respectively), and to the Audit Committee and the Technology and Cybersecurity Committee (respectively) within the scope of their respective remits, while also assisting the corporate bodies in any matters where requested.

- The **third line of defence** is made up of the Internal Audit unit, the head of which reports directly to the Board, and for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is to independently and objectively assess the first and second lines of defence, evaluating the efficiency and effectiveness of internal control policies and systems, risk management and the governance processes and policies established by the Group.

As far as tax risk is concerned, the Tax Department, located within the Finance area, is responsible for establishing the policies and controls necessary to ensure compliance at all times with the current tax regulations and the tax strategy approved by the Board. The Internal Financial Control Unit, as a second line of defence against financial, accounting and tax risks, is responsible for assessing the quality of the design and effectiveness of the control model operating in tax processes, as detailed in Section F of this document.

Continued in section H of this Report.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in your entity.

F.1 The entity's control environment

Give information on the main features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) the implementation thereof and (iii) oversight thereof.

Pursuant to Article 17 of its Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a listed company. The Board of Directors has an Audit Committee whose main task, among others, is to assist the Board in monitoring the preparation of financial statements and public information, as well as monitoring internal control of financial information.

In this regard, the Rules of Procedure of BBVA's Audit Committee establish that one of the Committee's functions is to monitor the effectiveness of the Company's internal control and the risk management systems in the process of drawing up and presenting financial information, including tax risks, as well as discussing with the statutory auditor the significant weaknesses of the internal control system detected during the audit.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act (SOX) for each financial year's consolidated annual financial statements due to its status as a publicly traded company listed with the United States Securities Exchange Commission (SEC). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Finance area has been responsible during 2021 for producing the consolidated annual financial statements and maintaining the control model for financial information generation. Specifically, this function is performed by the Financial Internal Control area, which is integrated within the Group's general internal control model, which is briefly outlined below:

The BBVA Group works continuously to bolster its internal control model, which comprises two key elements. The first is the control structure organised into three lines of defence, which is described in Section E.6 above; and the second is a governance scheme called Corporate Assurance, which establishes a framework for monitoring the internal control model and bringing the main aspects of the Group's internal control to the attention of Senior Management.

Corporate Assurance establishes a committee structure, both at the local and corporate levels, that provides Senior Management with a comprehensive and homogeneous view of the main non-financial risks and relevant situations as regards the control environment. The aim is to facilitate fast and proactive decision-making in relation to the mitigation or assumption of major risks. These committees are formed by the main executives responsible for the business and support areas, as well as those responsible for the second line of defence.

The effectiveness of this internal control system is assessed periodically for those risks that may affect the correct compilation of the Group's financial statements. This assessment is carried out under the coordination of the Internal Financial Control area (within the control model of the Group is the specialist area of risk mitigation in the processes of financial information elaboration: Risk Control Specialist – RCS Finance) in collaboration with the other risk specialists (RCS) located within the second line of defence and also the Risk Control Assurers (RCA), located within the main areas of the defence model, in both business and support areas.

The Group's Internal Audit area also performs its own assessment of the internal control system with regard to the generation of financial information.

In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with PCAOB (the US Public Company Accounting Oversight Board). This opinion appears in Form 20-F, which is filed every year with the SEC.

The result of the annual internal assessment of the System of Internal Control over Financial Reporting, conducted by Internal Audit and Internal Financial Control, is reported to the Audit Committee by the heads of Internal Financial Control.

F.1.2. Whether, especially in the process of preparing financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist to properly disseminate them within the entity.

Financial information is produced in the local Financial Management Units of the BBVA Group banks in the different countries where it maintains a presence. The consolidation work is carried out in the Corporate Centre, in the Finance Department, which has overall responsibility for the preparation and issuance of the Group's financial and regulatory information.

BBVA's organisational structure clearly defines lines of action and responsibility for the areas involved in the generation of financial information, both at the individual entity level and consolidated Group level, and also provides the channels and circuits necessary for the proper communication thereof. The units responsible for drawing up these financial statements have a suitable distribution of tasks and the necessary segregation of functions to draw up these statements in an appropriate operational and control framework.

Additionally, there is an accountability model aimed at extending the culture of, and commitment to, internal control. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to recording transactions and preparing financial information), body charged with analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct, approved by the Board of Directors, which sets out the behaviour guidelines that BBVA members must follow in their professional activity.

The Code of Conduct can be accessed on the Bank's website (www.bbva.com) and on the employees' website (Intranet). Additionally, Group members undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

BBVA has an online training course on the Code of Conduct at the global level, with scope for the entire Group staff, including key staff in the financial function and new recruits. In addition, communication campaigns are developed periodically and new content is disseminated in connection with the Code of Conduct, taking advantage of new digital formats and channels.

The Code also establishes a Whistleblowing Channel where behaviours that deviate from the Code of Conduct or violate the law or internal regulations can be reported.

One of the functions of the Risk and Compliance Committee is to examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be drafted to the corporate bodies.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at the jurisdictional level). Their joint scope of action covers all the Group businesses and activities and their main function is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, which is global in scope for the whole of BBVA.

For its part, the Compliance function is entrusted by the Board of Directors with the task of independently and objectively promoting and monitoring integrity of action within the BBVA Group, particularly regarding activities that may involve the risk of money laundering and the financing of terrorism, or entail a compliance or conduct risk. The Compliance Unit has among its tasks the fostering of knowledge and application of the Code of Conduct, helping to resolve doubts regarding interpretation of the Code through the Code of Conduct Consultation Channel and managing the Whistleblowing Channel. With regard to possible violations of the Code of Conduct, BBVA has a disciplinary system through which appropriate measures are taken, if necessary.

- Whistleblowing channel that allows financial and accounting irregularities to be communicated to the audit committee, together with potential breaches of the code of conduct and irregular activities in the organisation, reporting, where applicable, if the channel is confidential in nature and if it allows for anonymous communication that respects the rights of the reporting party and the subject of the report.

The Whistleblowing Channel is an essential part of the BBVA Group compliance system and is one of the processes established to ensure that the regulations and guidelines of the Code of Conduct are effectively applied. This Channel is also a means of helping BBVA members and third parties outside the Group to report confidentially and, if they wish, anonymously, behaviours that deviate from the Code of Conduct or violate applicable law or internal regulations, including financial or accounting irregularities.

The Compliance Unit processes complaints promptly in an objective and impartial manner and guarantees the confidentiality of the investigatory processes.

During the 2021 financial year, the BBVA Group implemented a global Whistleblowing Channel tool provided by an external supplier in most geographical areas where the Group has a presence. This online platform is accessible to all employees through the corporate Intranet and third parties outside BBVA can access it via a public link posted on the BBVA Group website (www.bkms-system.com/bbva). This new global tool raises the standards of security, confidentiality and anonymity and, therefore, the level of protection afforded the whistleblower and the party being reported.

Whistleblowers play a key role in preventing and detecting inappropriate behaviour, so affording them protection is a priority for the BBVA Group. Individuals who report facts or actions in good faith via the Whistleblowing Channel will not face any reprisals or other adverse consequences for what they report.

As explained in the previous section, a Corporate Integrity Management Committee, of global scope exists for the whole BBVA Group, among whose roles and responsibilities (set out in greater detail in its regulations) are:

- Driving and monitoring global initiatives to foster and promote a culture of ethics and integrity among members of the Group.
- Ensuring the uniform application of the Code.
- Promoting and monitoring the functioning and effectiveness of the Whistleblowing Channel.
- In cases where they are not already included among the members of the Committee, informing Senior Management and/or the person responsible for preparing the financial statements of any events and circumstances from which significant risks might arise for BBVA.

In addition, through the Compliance Unit, periodic reports are submitted to the Risk and Compliance Committee which, in compliance with its Regulations, reviews and monitors the systems under which Group professionals may confidentially report any irregularities in financial information or other matters.

- Periodic training and refresher courses for employees involved in preparing and revising financial information and in assessing ICFR, covering at least accounting standards, auditing, internal control and risk management.

The Finance area has a specific programme of courses and seminars, run in both its classroom and virtual campus, which complement the general training of all employees of the BBVA Group, in line with their roles and responsibilities. Specific training and periodic refresher courses are given on accounting and tax regulations, internal control and risk management, particularly for teams in the areas involved in preparing and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly. These courses are taught by professionals from the area and renowned external providers.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalised training programme to deal with the areas of knowledge necessary to perform their functions.

F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which establishes five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Assessing the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.

- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.

- Monitoring such controls to ensure that they are operational and to guarantee their effectiveness over time.

In order to identify the risks with a greater potential impact on the generation of financial information, the processes through which such information is generated are analysed and documented, and an analysis of the risks, errors or inaccuracies that may arise in each is later conducted.

Based on the corporate internal control methodology, the risks are categorised by type, including process errors and fraud, and their probability of occurrence and possible impact are analysed.

The process of identifying risk in the preparation of Financial Statements, including risks of error, falsehood or omission, is carried out by the first line of defence: those responsible for each of the processes that contribute to the preparation of financial information and those responsible for their control. This risk identification is performed taking into account the theoretical risk model and the mitigation and control framework previously defined by the specialists for each type of risk (within the second line of defence) which, in the case of Finance, is the Internal Financial Control unit (tax and financial reporting risk specialist), who, in addition, challenges the functioning and effectiveness of the controls implemented.

Whether the assessment of their controls is annual, quarterly or monthly is determined based on the significance of the risks, this ensuring coverage of the risks considered critical for the financial statements.

The assessment of the aforementioned risks and the design and effectiveness of their controls begins with the understanding of and insight into the analysed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business or process structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the regulations applicable at all times, the risks affecting them and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by the Non-Financial Risk area (MIGRO, newly implemented in 2021). This tool documents all the risks and controls, by process, that are managed by the different risk specialists, including the Financial Internal Control unit.

- Whether the process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and how frequently.

Each of the processes identified in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulator requirements and market needs.

The financial information control model analyses each of the phases of the processes mentioned above (from procedural governance, documentation, criteria setting, decision making, information provision, application operation, monitoring generated information, and reporting), in order to ensure that the risks identified in each process are adequately covered by controls that operate efficiently. The control model is updated when changes arise in the relevant processes or support tools for producing financial information.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental entities or special purpose vehicles.

The Finance area includes a department responsible for the Group's financial consolidation, which carries out a monthly process of identification, analysis and updating of the perimeter of the Group's consolidated companies.

In addition, the information from the consolidation department on new companies set up by the Group's different units and the changes made to existing companies is compared with the data analysed by a specific committee at corporate level, whose objective is to analyse and document the changes in the composition of the corporate group and optimise its corporate structure (Corporate Structure Committee — CSC).

In addition, the Finance area of the Bank, in controlling special purpose entities, makes a periodic report to the Audit Committee on the structure of the Group of companies.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental etc.) insofar as they impact the financial statements.

The model of internal control over financial reporting applies to processes for directly drawing up such financial information and to all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

As mentioned above, the Group has an internal control model coordinated by the Regulation & Internal Control area, which uses a single methodology to assess all the Group's non-financial risks (mainly operational, technological, financial, legal, tax-related, reputational, third party and compliance). All the specialist risk areas and heads of control use a common tool (MIGRO) to document the identification of the risks, the controls that mitigate those risks and the assessment of their effectiveness.

There are control assurers in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analysed under that methodology and is included in the ICFR insofar as it may have an impact on the financial information.

- Which of the entity's governing bodies supervises the process.

The process for identifying risks and assessing the design, effectiveness and suitability of the controls for generating financial information is documented at least once a year, and is overseen by the Internal Audit area.

Moreover, the Group's head of Internal Financial Control reports annually to the Audit Committee on analysis work that has been carried out, on the conclusions of the assessment of the control model relating to the generation of financial information, and on the process for downstream certification of the effectiveness of the control model. This process is undertaken by the financial officers of the main entities and holding control specialists. This work follows the SOX methodology in compliance with the legal requirements, under the aforesaid regulation, on systems of internal control over financial reporting, and is included in Form 20-F, submitted annually to the SEC, as indicated in Section F.1 above.

F.3 Control activities

Give information on the main features thereof, if at least the following exist:

F.3.1. Procedures for the review and authorisation of financial information and the description of the ICFR to be published in the stock markets, indicating the persons responsible therefor and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All of the processes relating to the generation of financial information are documented, as is the corresponding control model, including potential risks associated with each process and the controls put in place to mitigate them. As explained in Section F.2.1, the aforementioned risks and controls are recorded in the corporate tool MIGRO, which also includes the result of the assessment of the effectiveness of the controls and the degree of risk mitigation.

In particular, the main processes relating to the generation of financial information are found in the Finance area, and they are: accounting, consolidation, financial reporting, financial planning and monitoring, and financial and tax management. The analysis of these processes, their risks and their controls is also supplemented by that of all other critical risks, in the processes of the various business areas or other support areas, that may have a financial impact on the financial statements.

In the review procedures for functioning of the control model, special attention is paid to the financial and tax-related information disseminated to the securities markets, including a specific review of controls on relevant judgements, estimates and projections used in the preparation of the above-mentioned information.

As noted in the annual financial statements themselves, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income, expenses and commitments should be recorded.

These estimates are made based on the best information available on the financial statement closing date and, together with the other relevant issues for the closing of the annual and six-monthly financial statements, are revised and authorised by a Committee made up of the principal experts in these matters.

F.3.2. Internal control policies and procedures for information systems (among others, access security, change control, the operation thereof, operational continuity and segregation of functions) that support the relevant processes of the entity in relation to the preparation and publication of financial information.

The Group's current internal control model has expanded the catalogue of technological risks managed as non-financial risks to three distinct categories:

- ✓ Physical Security: Covers risks from inadequate management of the physical security of assets (including technology) and individuals due to the damage and deterioration of such assets.
- ✓ Technological Security: Covers risks from inadequate management of technology changes, IT system failures, risk from low IT availability and performance, IT system integrity risk, application tampering fraud, and logical impersonation.
- ✓ Information and Data Security: Covers risks from unauthorised access, modification or destruction of data infrastructure, loss, theft or misuse of information and cyber attacks that affect the privacy, confidentiality, availability and integrity of information.

The internal control models therefore include procedures and controls regarding the operation of information and access security systems, the segregation of functions, and the development and modification of computer applications used to generate financial information.

Both types of control are identified in the model of internal control over financial reporting and are analysed and assessed periodically, in order to guarantee the integrity and reliability of the information drawn up.

Consequently, the control model of the BBVA Group covers the adequate management of access control, establishes the correct and necessary steps taken to put applications into production as well as ensuring their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of operations.

In summary, the entire process of preparing and publishing financial information has established and documented the procedures and control models for technology and IT systems necessary to provide reasonable assurance of the correctness of the BBVA Group's public financial information.

F.3.3. Internal control policies and procedures designed to supervise the management of activities subcontracted to third parties and those aspects of evaluation, calculation or assessment outsourced to independent experts which may materially impact the financial statements.

The internal control model sets out specific controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment of assets or liabilities outsourced to independent experts.

There is a specialist area for risk arising from third party operations, a regulation and a non-financial risk admission committee that analyses outsourcing operations, the risks they can incorporate into the Group and the controls necessary for their mitigation. Additionally, the requirements to be met at the Group level for the activities to be subcontracted are established and monitored.

There are procedural manuals for the outsourced financial processes that identify the procedures to be followed and the controls to be applied by the service provider units and outsourcing units. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area of the entity that carried out the outsourcing.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, internal auditing and external auditing.

F.4 Information and communication

Give information on the main features thereof, if at least the following exist:

F.4.1. A specific function charged with defining accounting policies (accounting policy department or area), keeping them current and resolving queries or conflicts stemming from their interpretation, ensuring fluid communication with those in charge of operations in the organisation and maintaining an up-to-date manual of accounting policies that is communicated to the units through which the entity operates.

The Finance area and in particular the Accounting & Regulatory Reporting area have robust governance systems which include two Technical Committees: one for Accounting and one for Capital. The purpose of these committees is to analyse, study and issue standards that may affect the compilation of the Group's financial and regulatory information, to determine the accounting and solvency criteria required to ensure that transactions are booked correctly, and to calculate capital requirements within the framework of the applicable standards.

The Group also has an Accounting Policies Manual, which is updated and made available to all Group units by means of the Intranet. This Manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardised. This Manual is approved by the Technical Accounting Committee and is continuously documented and updated for use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare financial reporting in standardised formats for application and use by all units comprising the entity or group that support the main financial statements and the notes thereto, in addition to detailed information on ICFR.

The BBVA Group's Finance area and the countries' financial management units are responsible for the processes for preparing financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that collects the accounting information of the various companies within the Group and performs the consolidation processes, including the standardisation of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the aforementioned processes, both locally and at consolidated level, to ensure that all the data supplying the financial information is collected in a comprehensive, exact and timely manner. There is also a single and standardised financial reporting system that is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets contains a breakdown that is tailored to regulatory requirements and sufficient so as to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information on the main features of at least:

F.5.1. The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function with powers that include providing support to the audit committee in its task of supervising the internal control system, including the ICFR. Likewise, information will be given on the scope of the ICFR assessment carried out during the financial year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on financial reporting has been considered.

The internal control units of the business areas and of the support areas conduct a preliminary review of the internal control model, assess the risks identified in the processes, the effectiveness of controls, and the degree of mitigation of the risks, as well as identifying possible weaknesses and designing, implementing and monitoring the mitigation measures and action plans.

The first assessment of the effectiveness of the risk controls for the financial information preparation process is carried out by the RCA (Risk Control Assurer), who is responsible for control in the first line of defence, and layer by the RCS (Risk Control Specialist — second line of defence) who must challenge the design and operation of the controls in order to issue a conclusion on the operation of the control model established for the risks covered by his field of expertise.

BBVA also has an Internal Audit unit that supports the Audit Committee with regard to the independent supervision of the internal financial information control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the weaknesses in controls, mitigation measures and specific action plans are documented in the corporate tool MIGRO and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the significance of the detected issues.

Both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate risk.

During the 2021 financial year, the areas responsible for Internal Control conducted a full assessment of the system for internal control over financial reporting, and, to date, no material or significant weakness having any impact on the preparation of financial information have been revealed therein.

Additionally, in compliance with the SOX, the Group's Internal Control and Internal Auditing areas annually assesses the effectiveness of the model of internal control over financial reporting on a group of risks (within the perimeter of SOX companies) that could affect the drawing up of financial statements at local and consolidated levels. This perimeter incorporates risks and controls in Finance and other specialisms that are not directly financial (technology, risks, operational processes, human resources, procurement, legal etc.). The results of this assessment are reported annually to the Audit Committee.

F.5.2. Whether there is a discussion procedure pursuant to which the auditor (in line with the technical auditing standards), the internal audit function and other experts can inform senior management and the audit committee or the entity's directors of significant internal control weaknesses identified during the review processes for the annual financial statements or any others within their remit. Also provide information on whether there is an action plan that endeavours to correct or mitigate the weaknesses observed.

As described in section (F.5.1) above, the Group has a procedure in place whereby the internal auditor and the heads of Internal Financial Control report to the Audit Committee any significant internal control weaknesses detected in the course of their work. Any significant or material weaknesses, if present, will likewise be reported. Similarly, there is a procedure whereby the external auditor reports to the Audit Committee the result of their work assessing the system for internal control over financial information.

Since BBVA is listed with the SEC, the BBVA Group's external auditor annually issues its opinion on the effectiveness of the internal control over financial reporting contained in the Group's consolidated annual financial statements on 31 December each year, under PCAOB (Public Company Accounting Oversight Board) standards, with a view to filing the financial information with the SEC on Form 20-F. The latest report issued on the financial information for the 2020 financial year is available at www.sec.gov and at www.bbva.com.

All control weaknesses detected by the Internal Control, Internal Audit and External Audit areas have an action plan for resolution and are reported to the Internal Control Committees of each area, to the Corporate Assurance Committees (local or global, depending on the severity of the weaknesses) and also to the Audit Committee.

The internal control oversight carried out by the Audit Committee, described in the Regulations of the Audit Committee published on the Group website,www.bbva.com, includes the following activities:

- Analyse, prior to their presentation to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial information and related non-financial information. For this purpose, the Committee will have the support it needs from the Group's Senior Management, especially that of the area responsible for accounting functions, and from the Company and Group auditor, as well as all the necessary information made available to it with the level of aggregation deemed appropriate.

- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.

- Monitor the effectiveness of the Company's internal control as well as its risk management systems, in terms of the process of preparing and reporting financial information, including tax-related risks, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence. For such purposes, and where appropriate, the Committee may submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.

- Analyse and, where appropriate, approve the annual work plan for the Internal Audit area, as well as any other occasional or specific plans to be implemented as a result of regulatory changes or as required for organisation of the Group's business.

- To be aware of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.

The external auditor and the head of Internal Audit attend all regular meetings of the Audit Committee to report on the matters dealt with within their respective remits.

F.6 Other relevant information

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been subject to review by the external auditor, in which case the entity must attach the corresponding report as an annex. If not, explain the reasons therefor.

The information related to the BBVA Group's internal control over financial reporting described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the accounts published at the close of each financial year.

On 26 February 2021, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) for the financial year ending on 31 December 2020, which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the aforementioned Annual Report (Form 20-F) included certification of the Group's executive principles with regard to the establishment, maintenance and assessment of the Group's system of internal control over financial reporting. The Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the Company's system of internal control over financial reporting at the close of the 2020 financial year in *Item* 15 (*controls and procedures*).

The Form 20-F Annual Report is available on the corporate website of Banco Bilbao Vizcaya Argentaria, S.A., www.bbva.com, in the “Shareholders and Investors” section, “Financial Reports” subsection, financial year 2020 within the “Financial Information” section (https: (https://shareholdersandinvestors.bbva.com/financials/financial-reports/#2020).

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

If any recommendations are not being followed or are only being followed in part, a detailed explanation of the reasons for this must be provided so that shareholders, investors and the market in general have sufficient information to assess the actions of the company. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

✓ **COMPLIANT**

2. Where the listed company is controlled by another entity within the meaning of Article 42 of the Spanish Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or one of its subsidiaries (other than those of the listed company) or engages in activities related to those of any one of them, it should publicly report accurately on:

a) The respective areas of activity and potential business relations between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to resolve possible conflicts of interest.

NOT APPLICABLE

3. During the annual general meeting, as a supplement to the information circulated in the annual corporate governance report, the chairman of the board of directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, particularly:

a) Changes that have occurred since the previous annual general meeting.

b) **The specific reasons for the company not following a given Corporate Governance Code recommendation, and any alternative rules applied in this regard.**

✓ **COMPLIANT**

4. **The company should establish and implement a policy of communication and contacts with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisers, that complies in full with market abuse regulations and accords equitable treatment to similarly situated shareholders. This policy should be disclosed on the company's website, including information relating to how it has been put into practice and identifying the relevant actors or individuals responsible for the implementation thereof.**

   And, without prejudice to the legal obligations regarding the disclosure of privileged information and other regulated information, the company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social media, or other channels) to help maximise dissemination and the quality of information available to the market, investors and other stakeholders.

✓ **COMPLIANT**

5. **The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights in an amount exceeding 20% of capital at the time of such delegation.**

   When a board of directors approves the issuance of shares or convertible securities that exclude pre-emptive subscription rights, the company should immediately post the reports contemplated by commercial laws on its website regarding such exclusion.

PARTIALLY COMPLIANT

The General Shareholders' Meeting of the Company held on 17 March, 2017 delegated to the Board of Directors the power to increase the share capital and to exclude, in whole or in part, the pre-emptive subscription rights of the shareholders in relation to any specific issuance of shares made under that agreement, with this power to exclude the pre-emptive subscription rights being limited to 20% of BBVA's share capital at the time of delegation, although this limit is expected to be reduced to 10% in accordance with proposals submitted to the BBVA General Meeting for 2022. Also, at its meeting on 20 April, 2021, the BBVA General Shareholders' Meeting delegated to the Board of Directors the power to issue securities that are convertible into newly issued BBVA shares, the conversion of which is possible and is foreseen to meet regulatory requirements concerning their eligibility as capital instruments and it also delegated the power to exclude, in whole or in part, the preferential subscription right of shareholders within the context of a specific issuance, when required in the corporate interest and in compliance with the legal requirements and limitations applicable on each occasion, in which case limitation to 20% of the share capital shall not apply as the holdings of the shareholders would not be diluted. All of this, in accordance with the new wording of the additional fifteenth provision of the Corporate Enterprises Act, which states that the 20% limit provided for in Article 511 shall not apply to this type of issuance.

6. **Listed companies that prepare the reports listed below, whether on a mandatory or voluntary basis, should publish them on their website with sufficient time prior to the annual general meeting, even when such publication is not required:**

   a) **Report on auditor independence.**

   b) **Reports on the functioning of the audit committee and the appointments and remuneration committee.**

   c) **Audit committee report on related-party transactions.**

✓ **COMPLIANT**

7. **The company should broadcast its general shareholders' meetings live on its website.**

   And the company should have mechanisms that enable proxy voting, remote voting and, in the case of large cap companies and to the extent the same are proportional, attendance and active participation in the General Meeting.

✓ **COMPLIANT**

8. **The audit committee should ensure that the annual financial statements presented by the board of directors to the general shareholders' meeting are prepared in accordance with the accounting regulations. And in cases where the auditor has included any qualifications in its audit report, the chair of the audit committee should clearly explain to the general meeting the opinion of the audit committee on the content and scope thereof, making a summary of this opinion available to shareholders at the time of publication of the calling of the meeting, together with the other proposals and reports of the board.**

✓ **COMPLIANT**

9. **The company should disclose its requirements and procedures for demonstrating share ownership, the right to attend the general shareholders' meeting and the exercise or delegation of voting rights, and display them permanently on its website.**

   Such requirements and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

✓ **COMPLIANT**

10. **When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders' meeting, the company should:**

- **a)** **Immediately circulate the supplementary items and new proposals.**
- **b)** **Disclose the attendance card template and proxy appointment or remote voting form, duly modified to allow for voting on new agenda items and alternative proposals on the same terms as those submitted by the board of directors.**
- **c)** **Put all these items or alternative proposals to a vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**
- **d)** **After the general shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

NOT APPLICABLE

11. **In the event that the company plans to pay premiums for attendance at the general shareholders' meeting, it should first establish a general, consistent policy regarding such premiums.**

NOT APPLICABLE

12. **The board of directors should perform its functions with unity of purpose and independent judgement, according the same treatment to all similarly situated shareholders. It should be guided by the corporate interest, understood as the achievement of a profitable business that is sustainable in the long term and promotes the continuity thereof while maximising the economic value of the company.**

In furtherance of the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as applicable, as well as with the impact of its activities on the broader community and the natural environment.

✓ **COMPLIANT**

13. **The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

✓ **COMPLIANT**

14. **The board of directors should approve a policy aimed at favouring an appropriate composition of the board of directors and that:**

- **a)** **Is concrete and verifiable;**
- **b)** **Ensures that proposals for appointment or re-election are based on a prior analysis of the needs of the board of directors; and**
- **c)** **Favours a diversity of knowledge, experience, age and gender. To this end, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.**

The results of the prior analysis of the needs of the board of directors should be contained in the supporting report from the appointments committee published upon the calling of the general shareholders' meeting at which the ratification, appointment or re-election of each director is to be submitted.

The appointments committee should verify compliance with this policy on an annual basis and set out its findings in the annual corporate governance report.

✓ **COMPLIANT**

15. **Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage shares held by the executive directors in the company's capital.**

The number of female directors should represent at least 40% of the members of the board of directors before the end of 2022 and thereafter, representing no less than 30% prior to this.

✓ **COMPLIANT**

16. **The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion of the ownership in the company represented by such directors to the remainder of the company's capital.**

This criterion may be relaxed:

- **a)** **In large cap companies where few or no equity shares are considered by law to be significant shareholdings.**
- **b)** **In companies with a plurality of shareholders represented on the board of directors but who are not otherwise related.**

✓ **COMPLIANT**

17. **Independent directors should represent at least half of all board members.**

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders who, individually or together, control over 30% of the share capital, independent directors should constitute at least a third of the total number of directors.

✓ COMPLIANT

18. **Companies should disclose the following information regarding their directors on their websites and keep it up to date:**

    a) **Background and professional experience.**

    b) **Directorships held in other companies, whether listed or not, and other paid activities in which they engage of whatever nature.**

    c) **Indication of the class of directors to which they belong, specifying, in the case of proprietary directors, the shareholder they represent or are related to.**

    d) **Date of their first appointment as a board member and subsequent re-elections.**

    e) **Shares they hold in the company, and any options over the same.**

✓ COMPLIANT

19. **Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than 3% of capital, and explain any formal requests for a seat on the board that were denied where such requests came from shareholders whose interests in the company's share capital were equal to or greater than those of others at whose behest proprietary directors were appointed.**

NOT APPLICABLE

20. **Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their interests in the company to a point that requires a decrease in their number of proprietary directors, the number of such directors should be reduced accordingly.**

NOT APPLICABLE

21. **The board of directors should not propose the removal of independent directors before the expiry of their term as provided for in the bylaws except for just cause as determined by the board of directors following a report from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.**

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in the structure of the board of directors are in furtherance of the principle of proportionality set out in recommendation 16.

✓ COMPLIANT

22. **Companies should establish rules obliging directors to report and, if applicable, resign in the event they are affected by circumstances that, whether or not related to their actions at the company itself, could harm the company's standing and reputation, and, in particular, to inform the board of directors of any criminal charges brought against them and the procedural developments thereof.**

And, having been informed or having otherwise become aware of any of the situations mentioned in the previous paragraph, the board should examine the situation as promptly as possible and, taking into account the specific circumstances, decide, following a report from the appointments and remunerations committee, whether or not to adopt any measures, such as opening an internal investigation, requesting the resignation of the director or proposing their removal. This should be reported in the annual corporate governance report, unless special circumstances warrant otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company is required to disseminate, if appropriate, at the time the corresponding measures are adopted.

✓ COMPLIANT

23. **Directors should express their clear opposition when they feel a proposal submitted to the board of directors might damage the corporate interest. In particular, independent and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

When the board of directors makes significant or repeated decisions with regard to which a director has expressed serious reservations, the director should draw the pertinent conclusions and, if they decide to resign, should set out their reasons in the letter referenced in the next recommendation.

This recommendation also applies to the secretary of the board of directors, even if the secretary is not a director.

✓ COMPLIANT

24. **When, either due to resignation or following a resolution of the general meeting, a director leaves their role prior to the end of their term, they should provide sufficient explanation for the resignation or, in the case of non-executive directors, an opinion on the general meeting's grounds for removal, in a letter to be sent to all board members.**

And, without prejudice to the inclusion of all of the foregoing in the annual corporate governance report, to the extent that it is relevant to investors, the company should make the departure public as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

✓ **COMPLIANT**

25. **The appointments committee should ensure that non-executive directors have sufficient time available to fulfil their responsibilities effectively.**

The regulations of the board of directors should establish the maximum number of company boards on which its directors can serve.

✓ **COMPLIANT**

26. **The board of directors should meet with the necessary frequency to properly perform its functions, eight times a year at a minimum, in accordance with a calendar and agendas set at the start of the financial year to which each director may propose the addition of initially unscheduled agenda items.**

✓ **COMPLIANT**

27. **Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of an absence, directors should designate a proxy with instructions.**

✓ **COMPLIANT**

28. **When directors or the secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes if the person expressing them so requests.**

✓ **COMPLIANT**

29. **The company should establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external advisory services at the company's expense.**

✓ **COMPLIANT**

30. **Regardless of the knowledge directors must possess to carry out their duties, companies should also offer directors refresher courses when circumstances so advise.**

✓ **COMPLIANT**

31. **The agendas of board meetings should clearly indicate on which points the board of directors must arrive at a decision, so that directors can study or gather together the information they need beforehand.**

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, the inclusion thereof will require the express prior consent of a majority of the directors present, which shall be duly recorded in the minutes.

✓ **COMPLIANT**

32. **Directors should be regularly informed of changes in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.**

✓ **COMPLIANT**

33. **The chairman, as the person charged with the efficient functioning of the board of directors, in addition to performing the duties attributed thereto by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues; and approve and review refresher courses for each director, when circumstances so advise.**

✓ **COMPLIANT**

34. **When a lead director has been appointed, the bylaws or regulations of the board of directors should grant them the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and any vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

✓ **COMPLIANT**

35. **The secretary of the board of directors should strive to ensure that the board's actions and decisions are informed by the governance recommendations in the Good Governance Code that are applicable to the company.**

✓ COMPLIANT

36. The full board of directors should conduct an annual evaluation, adopting, where necessary, an action plan to correct weaknesses detected in:

a) The quality and efficiency of the board's operation.

b) The operation and composition of its committees.

c) The diversity of board composition and skills.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairs of board committees.

The evaluation of board committees should be based on reports they send the board of directors, while that of the board itself should be based on the report of the appointments committee.

Every three years, the board of directors should engage an external consultant to aid in the evaluation process, the independence of which should be verified by the appointments committee.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

✓ COMPLIANT

37. When there is an executive committee, at least two non-executive directors should be present thereon, at least one of whom should be independent, and its secretary should be the secretary of the board of directors.

✓ COMPLIANT

38. The board of directors should be kept fully informed of the matters discussed and decisions made by the executive committee, and all board members should receive a copy of the committee's minutes.

✓ COMPLIANT

39. When appointing members of the audit committee, and particularly its chair, their knowledge and background in accounting, auditing and both financial and non-financial risk management should be taken into account.

✓ COMPLIANT

40. There should be a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of information and internal control systems. This unit should report functionally to the board's non-executive chair or the chair of the audit committee.

✓ COMPLIANT

41. The head of the unit tasked with the internal audit function should submit its annual work plan to the audit committee, for approval by the audit committee or the board, directly inform it of its implementation, including potential impact and scope limitations arising during deployment and the results and monitoring of its recommendations and submit an activity report to it at the end of each financial year.

✓ COMPLIANT

42. The audit committee should have the following functions over and above those conferred by law:

1. With respect to information and internal control systems:

a) Monitor and evaluate the process of preparing and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where applicable, the group, including operational, technological, legal, social, environmental, political and reputational or corruption-related issues, reviewing compliance with regulatory requirements, proper delimitation of the consolidation perimeter and proper application of accounting criteria.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and dismissal of the head of the internal audit service; propose the service's budget; approve or propose that the board approve its priorities and annual work plans, ensuring that its activity focuses primarily on significant risks (including reputational risks); receive regular reports on its activities; and verify that senior management is acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors and subcontractors, to communicate irregularities of potential importance, including financial and accounting irregularities, or those of any other nature, related to the company that they notice within the company or its group. This mechanism must ensure confidentiality and, in any case, provide for scenarios under which information can be passed on anonymously, safeguarding the rights of the reporting party and the subject of the report.

d) Generally ensure that established internal control policies and systems are effectively implemented in practice.

2. With regard to the external auditor:

a) Investigate the circumstances giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company communicates any change in the external auditor through the CNMV, accompanied by a statement regarding any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the full board of directors to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

PARTIALLY COMPLIANT

Given that BBVA is a credit institution, it has a specific Board's Committee of Risk and Compliance, in accordance with the applicable sector regulations.

Therefore, certain functions contained in this recommendation, in particular paragraph 1(a) on the monitoring of risk control and management systems; paragraph 1(c) on the monitoring of a mechanism for the reporting of irregularities of particular importance; and paragraph 1(d), on the monitoring of the implementation of internal control policies and systems, are assigned, in accordance with the provisions of the Regulations of the Board of Directors, to the Risk and Compliance Committee, composed exclusively of non-executive directors, most of them being independent directors, as well as its Chairman.

Within the framework of BBVA's Corporate Governance System, this Committee assists the Board in determining and monitoring the policy for control and management of all risks (financial and non-financial) of the Group, with the exception of the functions that correspond to internal financial control, that are the responsibility of the Audit Committee; those of technological risk, which correspond to the Technology and Cybersecurity Committee; and those of business and reputational risk, which correspond to the Executive Committee. It also carries out monitoring of the information and internal control systems, the Regulation & Internal Control function (which includes, among other units, the Compliance Unit) and implementation within the Group of risk and compliance culture.

Notwithstanding the foregoing, the Audit Committee may, where appropriate, receive information on the above, within the framework of its responsibilities and under the inter-committee coordination mechanism provided for in the Regulations of the Board, for the best exercise of its functions.

43. The audit committee should be empowered to meet with any company employee or manager, even requesting that they appear without the presence of another manager.

✓ COMPLIANT

44. The audit committee should be informed of any structural or corporate changes the company is planning, so the committee can analyse the transaction and report to the board of directors beforehand on its economic terms and accounting impact and, in particular and when applicable, the proposed exchange ratio.

✓ COMPLIANT

45. The risk control and management policy should identify or determine at least:

a) The different types of financial and non-financial risks the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks, including corruption-related risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) A risk control and management model based on different levels, including a specialised risk committee when sector regulations provide for this or the company deems it appropriate.

c) The level of risk the company sees as acceptable.

d) The measures in place to mitigate the impact of identified risks, should they materialise.

e) The information and internal control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

✓ COMPLIANT

46. Companies should establish an internal risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Actively participate in the preparation of risk strategies and in key decisions regarding the management thereof.

c) **Ensure that risk control and management systems are mitigating risks effectively within the framework of the policy established by the board of directors.**

✓ **COMPLIANT**

47. Members of the appointments and remunerations committee—or the appointments committee and the remunerations committee, if separately constituted—should have the right balance of knowledge, skills and experience for the duties they are called on to discharge. The majority of such members should be independent directors.

✓ **COMPLIANT**

48. Large cap companies should have separately constituted appointments and remunerations committees.

✓ **COMPLIANT**

49. The appointments committee should consult with the chairman of the board of directors and the company's chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any of the directors may request that the appointments committee consider potential candidates that they might find suitable.

✓ **COMPLIANT**

50. The remunerations committee should operate independently and have the following functions in addition to those conferred by law:

a) **Propose to the board of directors the basic contractual conditions for senior managers.**

b) **Monitor compliance with the remuneration policy set by the company.**

c) **Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company.**

d) **Ensure that potential conflicts of interest do not undermine the independence of any external advisory services rendered to the committee.**

e) **Verify the information on directors' and senior managers' remuneration contained in corporate documents, including the annual report on the remuneration of directors.**

✓ **COMPLIANT**

51. The remunerations committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior managers.

✓ **COMPLIANT**

52. The rules regarding the composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those imposed on committees by law as specified in the preceding recommendations, including that:

a) **Committees should be comprised exclusively of non-executive directors, with a majority of independent directors.**

b) **They should be chaired by independent directors.**

c) **The board of directors should appoint the members of such committees with regard to the knowledge, skills and experience of the directors on and remits of each committee; deliberate regarding their proposals and reports; and provide reports on their activities and work at the first board plenary following each committee meeting.**

d) **They may engage external advisory services when they deem this to be necessary for the discharge of their functions.**

e) **Minutes should be taken at all meetings and made available to all directors.**

✓ **COMPLIANT**

53. Monitoring of compliance with the policies and regulations of the company in environmental, social and corporate governance matters, as well as with internal codes of conduct, should be assigned to one committee or entrusted to several committees of the board of directors, which may be the audit committee, the appointments committee, a specialised sustainability or corporate social responsibility committee or another specialised committee that the board of directors, in furtherance of its powers of self-organisation, may have chosen to create. And such a committee should be composed only of non-executive directors, the majority being independent and specifically assigned the minimum duties set out in the following recommendation.

PARTIALLY COMPLIANT

The responsibility of monitoring the Bank's compliance with policies and rules in the area of environmental, social and corporate governance, as well as internal codes of conduct, and other matters referred to in Recommendation 54, is shared between several Board Committees: namely the Appointments and Corporate Governance Committee, the Audit Committee and the Risk and Compliance Committee, composed exclusively of non-executive directors; and also the Executive Committee.

In particular, the Executive Committee and the Risk and Compliance Committee play a more active role in assisting the Board on environmental and social matters, each within the limits of their powers.

Non-executive directors comprise the majority of the Executive Committee, which was established to support the Board in the area of strategy and finances and which monitors, on a recurrent basis, the integration of sustainability into the Group's business processes and activity, in line with the strategic priorities set out by the Bank. It also monitors application of the Bank’s General Sustainability Policy, following approval by the Board. This Committee also monitors the implementation of the General Policy on Corporate Social Responsibility, also approved by the Board.

In turn, the Risk and Compliance Committee, composed of a large majority of independent directors and without the presence of executive directors, monitors and supervises the integration of sustainability into the Group's risk analysis and management, from the perspectives of both risk planning and risk management. This Committee also has among its regulatory powers the power to examine the draft codes of ethics and conduct and their respective modifications, and in matters relating to money laundering, conduct in the securities markets, data protection, And the scope of the Group's actions in the field of competition.

Finally, the Appointments and Corporate Governance Committee, composed of a majority of independent directors, has among its responsibilities the evaluation and periodic review of BBVA's corporate governance system. For its part, the Audit Committee, composed solely of independent directors, is responsible for overseeing the process of drawing up and presenting related financial and non-financial information.

54. The minimum functions referred to in the above recommendation are as follows:

- **a) Monitoring of compliance with corporate governance rules and internal company codes of conduct, ensuring the alignment of the corporate culture with its purpose and values.**
- **b) Monitoring the implementation of the general policy relating to the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisers and other stakeholders. In addition, the way in which the entity communicates and engages with small and medium-sized shareholders will also be monitored.**
- **c) Periodic evaluation and review of the effectiveness of the company's corporate governance system and its environmental and social policy with the aim of procuring that they fulfil their mission to promote the corporate interest and take account, as applicable, of the legitimate interests of the remaining stakeholders.**
- **d) Monitoring the company's environmental and social practices to ensure their alignment with the established strategy and policy.**
- **e) Monitoring and evaluating the company's interactions with its various stakeholder groups.**

✓ **COMPLIANT**

55. Environmental and social sustainability policies should identify and include at least:

- **a) Principles, commitments, objectives and strategy in relation to shareholders, employees, customers, suppliers, social and environmental matters, diversity, tax liability, respect for human rights and the prevention of corruption and other illegal conduct.**
- **b) Methods and systems to monitor compliance with policies, associated risks and the management thereof.**
- **c) Mechanisms for monitoring non-financial risks, including those related to ethics and business conduct.**
- **d) Channels for stakeholder communication, participation and dialogue.**
- **e) Responsible communication practices that prevent the manipulation of information and protect honour and integrity.**

✓ **COMPLIANT**

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

✓ **COMPLIANT**

57. Variable remuneration linked to the company's and the director's performance, the award of shares, options or any other right to acquire shares or instruments tied to the price of shares, and long-term savings schemes such as pension and retirement plans and other social pension systems should be limited to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until they are no longer serving as directors. The foregoing condition will not apply to any shares that the director must dispose of to satisfy costs related to their acquisition.

✓ **COMPLIANT**

58. In the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure that such remuneration reflects the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, components of variable remuneration should:

- **a)** **Be tied to predetermined and measurable performance criteria that factor in the risk assumed to obtain a given outcome.**
- **b)** **Promote the sustainability of the company and include non-financial criteria that are suited to the long-term creation of value, such as compliance with the company's internal rules and procedures and its risk control and management policies.**
- **c)** **Be structured around achieving a balance between the fulfilment of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement over a sufficient period of time to appreciate its contribution to the long-term creation of value and to ensure that performance is not measured based solely on one-off, occasional or extraordinary events.**

✓ **COMPLIANT**

59. **The payment of variable remuneration components should be subject to sufficient verification that performance-related or other previously established conditions have been effectively fulfilled. The criteria in relation to the required timing and methods of such verification must be provided by the bodies in the annual report on the remuneration of directors, according to the nature and characteristics of each variable component.**

In addition, entities must evaluate whether to establish a reduction ('malus') arrangement based on the deferral, for a sufficient period, of the payment of a part of the variable components that entails the total or partial loss thereof in the event this is deemed advisable due to an event occurring prior to the time of payment.

✓ **COMPLIANT**

60. **Remuneration tied to company results should take into account any qualifications stated in the external auditor's report that reduce such results.**

✓ **COMPLIANT**

61. **A significant percentage of executive directors' variable remuneration should be tied to the award of shares or financial instruments whose value is linked to the share price.**

✓ **COMPLIANT**

62. **Once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, the executive directors may not transfer their ownership of or exercise them until a period of at least three years has elapsed.**

An exception to the above is made in the event that the director has, at the time of transfer or exercise, a net economic exposure to the change in the price of shares for a market value equal to at least twice their annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to any shares that the director needs to dispose of in order to cover the costs associated with the acquisition thereof or, subject to the approval of the appointments and remunerations committee, in the event of extraordinary situations that so require.

✓ **COMPLIANT**

63. **Contractual arrangements should include provisions that permit the company to request the reimbursement of variable remuneration components when the payment thereof was not in line with the conditions applicable to the director's performance or was based on data subsequently found to be incorrect.**

✓ **COMPLIANT**

64. **Resolution or termination payments should not exceed an amount equal to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria or conditions established for the receipt thereof.**

For purposes of this recommendation, contractual resolution or termination payments shall include any credits whose accrual or payment obligation arises upon or as a consequence of the termination of the contractual relationship linking the director with the company, including unvested amounts in long-term savings systems and amounts awarded in connection with post-contractual non-compete agreements.

✓ **COMPLIANT**

H. OTHER POINTS OF INTEREST

1. If there are any other significant aspects of corporate governance in the company or in the group entities that have not been addressed in the rest of the sections of this report, but are necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in the entity or its group, give a brief description of them.
2. This section may also include any other information, clarification or detail related to previous sections of the report provided that it is relevant and not reiterative.

In particular, indicate whether the company is subject to the corporate governance laws of a country other than Spain and, if so, include the information it is required to provide, if different from that required in this report.

3. The company may also indicate whether it has voluntarily adhered to other international, industry-wide or any other codes of ethical principles or good practices. Where applicable, identify the code in question and the adhesion date. In particular, indicate whether it has adhered to the Code of Good Tax Practices of 20 July 2010.

The data in this report refers to the financial year ending 31 December 2021, except in those cases when another reference date is specifically stated.

Further to section A.3, BBVA has a fixed remuneration deferred share delivery system for its non-executive directors, as approved by the General Meeting. This consists of the annual allocation to each non-executive director of a number of BBVA theoretical shares equivalent to 20% of the total fixed cash allocation received by the respective individual in the previous year. This will be delivered as appropriate, when their directorship ends for any reason other than serious dereliction of duties. Details on the annual allocation made by the Board and the accumulated theoretical shares can be found in Notes 54 and 49 on Remuneration and other benefits to the Board of Directors and to members of the Bank's Senior Management within the notes to the annual financial statements corresponding to BBVA's Individual and Consolidated Annual Accounts for the 2021 financial year, respectively, as well as in BBVA's Annual Report on the Remuneration of Directors.

The remuneration system for executive directors includes, among other elements, an annual variable remuneration whose vesting and payment rules include a portion in shares and deferral periods. The details of the shares held by each executive director as part of this remuneration are also set out in Notes 54 and 49 on Remuneration and other benefits to the Board of Directors and to members of the Bank's Senior Management of the notes to the annual financial statements for the BBVA Individual and Consolidated Annual Accounts the 2021 financial year, respectively, and in BBVA's Annual Report on the Remuneration of Directors.

Additionally, the detail of the number of direct shares owned by BBVA directors is included below:

Director´s Name	**Number of Direct shares**
Carlos Torres Vila	859,051
Onur Genç	485,325
José Miguel Andrés Torrecillas	10,828
Jaime Caruana Lacorte	35,000
Raúl Galamba de Oliveira	30,000
José Maldonado Ramos	38,761
Susana Rodríguez Vidarte	26,980
Carlos Salazar Lomelín	260,929

Further to Section A.9, relating to income from treasury-share trading, Rule 21 of Circular 4/2017 and IAS 32, Paragraph 33, expressly prohibit the recognition, in the income statement, of gains or losses made through transactions carried out with own capital instruments, including their issuance and redemption. Said profits and losses are directly booked against the company's net equity. In the table of significant variations, the date of entry of CNMV Model IV in the registries of that organism, model corresponding to the communications with treasury shares and the reason for such communication. In this regard, state that the communications made to the CNMV in December 2021, outlined in said section, were made within the framework of BBVA's own share buyback programme resolved by the Board of Directors.

Further to section B.4, state that the data regarding the physical presence percentage included with respect to the General Shareholders' Meeting, held on 20 April 2021, includes the data on shareholders' remote attendance thereof, since, as a result of the exceptional circumstances arising from COVID-19, BBVA resolved, in accordance with the provisions of Royal Decree-Law 34/2020, of 17 November, on urgent measures to support business solvency and the energy sector and on tax matters, to make it possible for the BBVA General Shareholders' Meeting in the 2021 financial year to be attended exclusively by remote means — that is, without physical attendance by shareholders or their representatives.

For the purpose of clarifying the information contained in Section C.1.2, it is indicated that Jaime Félix Caruana Lacorte accepted his appointment on 4 June 2018; Ana Cristina Peralta Moreno accepted her appointment on 8 May 2018; Ana Leonor Revenga Shanklin and Carlos Vicente Salazar Lomelín accepted their appointments on 1 April 2020, with the date of appointment by the corresponding General Meeting set out in Section C.1.2.

Further to Section C.1.5, state that within the framework of the continuous Board rotation process, the Appointments and Corporate Governance Committee, in performing its duties, has in recent financial years put in place different selection processes for directors aimed at identifying the most suitable candidates at all times, based on the needs of the Corporate Bodies, and that these favour diversity in the manner specified in preceding sections.

In this way, the Board currently has a diverse composition, combining people with extensive experience and knowledge of the financial and banking field with profiles that possess experience and knowledge in different areas that are of interest to the Bank and its Group, such as accounting and auditing, risk management, innovation and information technologies, macroeconomic strategy and environment, human resources and remuneration, institutional, legal and regulatory fields and corporate governance and sustainability. This enables the Board overall to have a suitable balance in its composition and suitable knowledge of the Bank's and the Group's environment, activities, strategies and risks, helping it to better perform its functions.

In particular, the Board meets the objectives set out in its Regulations and in the Selection Policy, namely there is an appropriate balance between the different types of director. Non-executive directors make up 86.67% of all directors (thereby attaining the objective of having a large majority of non-executive directors), independent directors make up two-thirds of the board (thereby attaining the objective of having at least 50% independent directors) and women make up one-third of all board members, thereby attaining the current target of at least 30%. The Board is also highly diverse in terms of skills, knowledge and experience at both the national and international levels, which has been consolidated in recent years, in addition to the diversity of experience within the Board itself.

In the context of the Board's continuous rotation process and taking into account the continuous analysis of the structure, size and composition of the Board of Directors, the Committee developed a director selection process in 2021, inspired by the principles of the Board of Directors' Regulations and Selection Policy, as a result of which it was proposed to the General Meeting in March 2022 that a new director be appointed with independent status, and that two directors be re-appointed with executive director status.

Should the mandatory approvals be granted by the General Meeting, this would continue to contribute to attaining the objectives set out in the Selection Policy, and specifically that women should make up 40% of all directors (thereby attaining the objective of the Selection Policy that women make up at least 40% of all directors by the end of 2022). It would also consolidate the knowledge and experience of the Board in areas of relevance to the Bank such as sustainability and institutional and regulatory environment.

Certainly, the Board, as a whole, has an adequate and diverse composition with a thorough knowledge of the environment, strategy, activities, business and risks of the Bank and its Group, resulting in a balanced composition and adapted to the needs of the moment, thus contributing to ensuring that the functions of the Corporate Bodies are developed in the best corporate interest.

In addition to the information set out in section C.1.6, in accordance with the provisions of Article 540 of the CEA, which stipulates that a brief description of the diversity policy, with regard to directors and to members of management, must be provided, BBVA employs a Selection and Appointment Policy for members of Senior Management that has been approved by the Board.

Said Policy is designed to ensure that individuals in Senior Management positions at BBVA have the capacity to properly exercise the responsibilities conferred upon them. Thus, members of BBVA Senior Management must have top-level academic and technical qualifications, professional skills—underpinned by their professional careers to date—applicable to the responsibilities associated with the role to be fulfilled, a recognised honourable business and professional reputation, and commitment to BBVA's values.

Pursuant to the provisions of this Policy on the assessment of internal talent, performance is assessed in terms of the achievement of objectives, potential to assume greater responsibilities in the future, and individuals' professional capabilities and skills. These assessments may be supported by means of review sessions during which members of Senior Management analyse the profiles of certain employees and share their opinions on the achievements and strengths of each individual.

Moreover, for the selection of external candidates for senior management positions, references and top-level executive search firms are used. The Talent & Culture area ensures that external candidates possess top-level academic and technical qualifications, that their professional careers to date adequately encompass the responsibilities associated with the roles to be fulfilled, that they have recognised business and professional reputations, and that, during their careers at other organisations, they have demonstrated a high level of alignment with BBVA's values. The candidates identified through the company's external selection process are considered alongside internal candidates, in order to select the individual that best fits the role to be fulfilled.

Moreover, in accordance with the Regulations of the Board, the functions of this body include appointing members of Senior Management based on a report from the Appointments and Corporate Governance Committee. Prior to the proposal and appointment, the Bank follows a selection process for members of Senior Management which is governed by the principles and criteria outlined in the selection and appointment policy for members of Senior Management. This process involves analysing the functions and candidate profiles, confirming the suitability of the selected candidate, submitting the proposal for the consideration of the Appointments and Corporate Governance Committee, which drafts a preliminary report for the Board, and, finally, submitting the proposal to the Board for approval, which must be supported by a favourable preliminary report from the Appointments and Corporate Governance Committee.

Appointment of senior managers, on the proposal of the Chairman for those who report thereto, and of the Chief Executive Officer (*Consejero Delegado*), for those who report thereto instead of to the Chairman. The Board of Directors will be responsible for the appointment and dismissal of the head of the Internal Audit area, based on a proposal from the Audit Committee, and the Head of Regulation & Internal Control, on a proposal from the Risk and Compliance Committee, as well as the determination of their objectives and assessment of their performance, on a proposal from the corresponding committee.

As a supplement to section C.1.7, state that it is also appreciated that the Board has a continuous training programme for directors, which ensures that their knowledge and skills are continuously being enriched, including relevant trends and areas of interest within that programme, such as sustainability, the regulatory framework and technological and innovation issues, among others, which helps ensure that the Board is always in possession of the knowledge, capacities and information needed to discharge its roles.

Furthermore, state that the current make-up of the Board complies with the provisions of applicable legislation, the regulations of the corporate bodies and the objectives provided for in this regard by the Selection Policy, in line with what was set out in section C.1.5 above regarding striking an appropriate balance between the different types director, having a large majority of non-executive and independent directors and complying with the currently applicable objective for the representation of women on the Board.

For the above-mentioned reasons, the Board, as a whole, currently has an adequate and diverse composition with a thorough knowledge of the environment, strategy, activities, business and risks of the Bank and its Group, resulting in a balanced composition and adapted to the needs of the moment, thus contributing to ensuring that the functions of the corporate bodies are developed in the best corporate interest.

Finally, it should be noted that, as a result of the director selection process referred to in sections C.1.5 and C.1.6 above, should the corresponding proposal for the appointment of an independent director be approved by the General Meeting of March 2022, the Board would then meet the objective of women making up at least 40% of all directors before the end of 2022 and the Board's knowledge and experience in areas of relevance to the Bank such as sustainability and institutional and regulatory areas would be consolidated.

Finally, it should be noted that the director selection process implemented in the 2021 financial year sought the expert advice of a specialist headhunting company for potential candidates, thereby ensuring optimal professionalism and independence for the process. This process also took into account the number and profile of directors whose three-year statutory term ends in the 2022 financial year, so that appropriate proposals for appointment or re-appointment can be submitted to the next Annual General Shareholders' Meeting.

Accordingly, the Board studied the various pre-selected profiles, decided on those which, a priori, would fit the needs of the Bank, and assessed the training and career path of the candidates, their main professional and personal competencies, their vision of the Bank and the Group and their willingness to join the Board of Directors. Having chosen one of the candidates, the Board then submitted its respective proposals and reports to the General Meeting to be held during the 2022 financial year, concerning the appointment of a new director and the re-appointment of two directors.

Further to Section C.1.9, the various Board Committees with oversight and control functions also have certain functions delegated by the Board of Directors, which are detailed in section C.2.1 of this Report and which are also set out in their corresponding regulations which are available on the Bank's website.

As a supplement to section C.1.11, state that Juan Pi Llorens is a director of the companies in the Oesia Group listed therein (Oesia Networks, S.L., Tecnobit, S.L.U. and UAV Navigation, S.L.) as a natural person representative of the company Relocation & Execution Services, S.L.

Further to the information included in section C.1.13, it is stated that:

The amount included under Remuneration of the Board of Directors accrued during the financial year corresponds, based on the instructions of this Report, with the amount declared as total remuneration accrued according to Table c) Summary of remuneration of section C.1 – Breakdown of individual remuneration accrued for each of the directors included in section 5 (Statistical Appendix) of the Annual Report on the Remuneration of Directors of BBVA, which includes: (i) remuneration received in cash by the directors in 2021, comprising, in the case of non-executive directors, fixed remuneration for membership of the Board and its committees and, where applicable, for the role of lead director and vice-chairman of the Board, and remuneration in kind, and, in the case of executive directors, their annual fixed remuneration, remuneration in kind and cash amounts corresponding to the initial portion of 2021 Annual Variable Remuneration, to the deferred portion of the 2018 Annual Variable Remuneration payable, where conditions are met, in 2022, together with its corresponding update and, in the case of the Chairman, to the deferred portion of the 2017 Annual Variable Remuneration payable, where conditions are met, in 2022, together with its corresponding update; (ii) the gross earnings on shares or financial instruments vested in 2021 by the executive directors, corresponding to the share portion that corresponds to the portion of the Annual Variable Remuneration for 2021 and 2018 and, in the case of the Chairman, for 2017, to be delivered in 2022, the shares of which have been monetised, for the purposes of this report, taking as a benchmark the average closing BBVA share price for trading sessions between 15 December 2021 and 15 January 2022, which was EUR 5,33 per share, insofar as these shares have not yet been delivered to their beneficiaries; and (iii) the remuneration for other items paid by the Chief Executive Officer in 2021 (mobility allowance and cash in lieu of pension).

These items are detailed, individually for each director, in Notes 54 and 49 of the notes to the annual financial statements corresponding to BBVA's Annual Consolidated and Individual Accounts for the 2021 financial year, respectively.

With respect to the Amount of funds accumulated by current directors through long-term savings systems with unvested economic rights, included in section C.1.13 of this Report, during the 2021 financial year, the Bank had commitments made in respect of the Chairman's pension to cover the contingencies of retirement, invalidity and death in accordance with the provisions of the By-laws, the Remuneration Policy for BBVA Directors and his contract with the Bank. For the Chief Executive Officer, the Bank has no pension commitments, although it does have commitments to cover the contingencies for disability and death, in accordance with the Remuneration Policy for BBVA Directors and the contract entered into with the Bank.

The main characteristics of the pension system of the Chairman to cover the retirement contingency are detailed in the BBVA Directors' Remuneration Policy, and include, inter alia, the following: a defined-contribution system; no provision for receiving the retirement pension in advance; and 15% of the agreed contribution has the status of discretionary pension benefits, in accordance with the requirements of the applicable regulations. They are also included in Notes 54 and 49 of the Annual Report corresponding to notes to the annual financial statements for BBVA's Consolidated and Individual Annual Financial Statements for the 2021 financial year, respectively, which include the amounts of the entitlements accrued by the Chairman as of 31 December 2021.

The balance of the item, Provisions — Funds for pensions and similar obligations, on the Group's consolidated balance sheet as at 31 December 2021 includes EUR 69 million as post-employment provision commitments maintained with former members of the Board of Directors.

Further to the information included in section C.1.14, it is stated that:

The item Senior Management total remuneration includes the remuneration of the members of Senior Management (16 members as at 31 December 2021, excluding the executive directors), which includes: the annual and in-kind fixed remuneration received during the 2020 financial year; the Upfront Portion of the Annual Variable Remuneration for the 2021 financial year and payment of the Deferred Portion of the Annual Variable Remuneration for the 2018 and 2017 financial years, in cash and monetised shares, together with its corresponding update, payable in 2022, if the corresponding conditions are met. The monetised shares stood at the same value as that indicated in the case of the executive directors (i.e. EUR 5,33 per share; see Section C.1.13).

The main characteristics of the pension systems for this group are, inter alia, the following: defined contributions; no provision for receiving the retirement pension in advance; and 15% of the agreed contributions have the status of "discretionary pension benefits", in accordance with the requirements of the applicable regulations.

The above concepts are detailed in Notes 54 and 49 of the notes to the annual financial statements corresponding to BBVA's Consolidated and Individual Annual Financial Statements for the 2021 financial year, respectively.

The balance of the item, Provisions — Funds for pensions and similar obligations, on the Group's consolidated balance sheet as at 31 December 2021 includes EUR 241 million as post-employment provision commitments maintained with former members of the Bank's Senior Management.

Furthermore, it is noted that, on 29 July 2021, Javier Rodriguez Soler was appointed as head of the Sustainability area and also that his position as a senior manager of Banco Bilbao Vizcaya Argentaria, S.A. was recorded in the Bank of Spain's Register of Senior Officers, in accordance with the applicable regulations.

Further to Section C.1.17, set out below is the evaluation by the Board of Directors of its committees' operation, based on reports submitted by their respective Chairs:

- The various committees have regularly informed the Board of Directors of the activities carried out and the agreements adopted by each of the committees, as part of their functions. This has ensured that all directors have a full understanding of the work being undertaken by the various Board committees and has promoted coordination between the corporate bodies.

- In addition to the above, at its meeting held on 22 December 2021, the Board received the report by the Chairman on the Technology and Cybersecurity Committee's activity for the 2021 financial year in terms of the various areas within its remit, such as the technology and cybersecurity strategy, the plans, policies and management of cybersecurity, and the monitoring and control of technological risks, among other matters.

- During its meeting on 22 December 2021, the Board also received the report by the Chairman of the Risk and Compliance Committee on its activities throughout the 2021 financial year. The report detailed the tasks executed by the Committee in its ongoing monitoring and oversight of changes in the risks faced by the Group and the extent to which consistency is maintained with certain strategies and policies, such as the monitoring regulation & internal control and compliance.

- At its meeting held on 2 February 2022, the Board of Directors received the Chairman's report on the activity carried out by the Executive Committee during the 2021 financial year. The report detailed, among other activities, the Committee's work in support of the Board of Directors in decision-making in the areas of strategy, budgets and finance, supervision and monitoring of activity and results, strategic-forward information, as well as selected projects, operations and Group policies.

- At its meeting held on 2 February 2022, the Board of Directors received the report by the Chair of the Audit Committee on the activities of the Committee during the 2021 financial year. The report detailed, among other activities, the Committee's work in overseeing the preparation of financial statements and the application of accounting criteria, the sufficient, adequate and effective operation of internal control systems in the preparation of financial data, and the planning, progression and depth of external auditor tasks, in addition to the activity carried out by the Internal Audit area.

- At its meeting held on 2 February 2022, the Committee also received the report by the Chair of the Appointments and Corporate Governance Committee on the activities undertaken by the Committee throughout the 2021 financial year in terms of its assigned functions, including its tasks relating to the re-election and appointment of directors, the evaluation of the Board of Directors, the Chairman of the Board and the Chief Executive Officer, and the monitoring of developments in the Corporate Governance System, among others.

- Lastly, at its meeting held on 2 February 2022, the Board received the report by the Chair of the Remunerations Committee on the activities undertaken by this Committee throughout the 2021 financial year, reporting on, among other matters, the tasks performed by the Committee relating to the preparation and implementation of the proposed resolutions submitted to the Board regarding remuneration matters, particularly those relating to the remuneration of directors, Senior Management, Identified Staff and the BBVA Group.

All of the foregoing has been taken into consideration by the Board of Directors during the evaluation process carried out in respect of the 2021 financial year, described in the preceding paragraphs.

With regard to Section C.1.27, as BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities and Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the Chief Executive Officer and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority for the official record.

Further to Section C.2.1, the following is a brief indication of what the regulations establish with regard to the composition and functions of each of the remaining Board Committees:

- **Executive Committee:** Article 30 of the Regulations of the Board and the Regulations of the Executive Committee establishes that the Board of Directors may, in accordance with the By-laws and with the favourable vote of two-thirds of its members, appoint an Executive Committee, composed of a minimum of four directors appointed by the Board of Directors, ensuring that there is a majority of non-executive directors over executive directors. The Chairman of the Board of Directors will be an ex-officio member of the Committee. The Secretary of the Board of Directors will hold the same position on the Committee. If absent, the Secretary will be replaced by the Deputy Secretary or the person appointed by the attendees of the relevant meeting.

- **Audit Committee:** the Audit Committee Regulations establish that it shall consist of a minimum of four independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. In any event, at least one member will be appointed taking into account their knowledge and experience in accounting, auditing or both. As a whole, the Committee members will possess relevant technical expertise in the financial sector. The Board will, from amongst its members, appoint the Chair of this Committee, who must be replaced every four years and may be re-appointed one year after the end of their term of office. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Appointments and Corporate Governance Committee:** the Regulations of the Appointments and Corporate Governance Committee establish that it shall consist of a minimum of three directors, all of them non-executive and most of them independent, as well as its Chairman. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Remunerations Committee:** the Regulations of the Remunerations Committee establishes that it must be comprised of a minimum of three non-executive directors and the majority, including the Chairman, must be independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Risk and Compliance Committee:** the Regulations of the Risk and Compliance Committee establishes that it will consist of a minimum of three directors, appointed by the Board of Directors, who possess the appropriate knowledge, skills and experience to understand and control the Bank's risk strategy. All the members of the Committee must be non-executive directors, with its Chair and a majority of members being independent directors. The Board will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Technology and Cybersecurity Committee:** the Regulations of the Technology and Cybersecurity Committee establish that the Committee shall consist of a minimum of three directors, most of whom shall be non-executive directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board will appoint the Chair of the Committee from amongst its members. When the Chair cannot be present, meetings will be chaired by the longest-serving director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

Also, as a follow-up to the most important activities of the Board Committees and their organisational and operational rules as set out in paragraph C.2.1:

- **Executive Committee:** the most noteworthy actions carried out by the Committee during the 2021 financial year included the monitoring of the monthly evolution of the Group and its business areas' activity and results, its crucial role in ensuring the integrity, coordination, consistency and coherence of the Group's strategic and prospective processes, such as the Strategic Plan, the RAF, the ICAAP, the ILAAP, the Budget and planning of capital, liquidity and funding and the Recovery Plan, taking into account aspects common to all processes, and driving the integration of the strategic bases established by the Board into all processes.

  In addition, the Committee, in discharging its fundamental role in monitoring and controlling the measures implemented in BBVA to manage the health and economic crisis caused by COVID-19 during the 2020 financial year, continued to monitor and control of the Bank's business and activities, in a still-changing and uncertain environment during the 2021 financial year, prioritising the impact of the crisis on activity, results and organisation, technological and operational continuity, capital, liquidity and solvency situations and the evolution of risk management, among other areas.

  Furthermore, the Committee has ensured the coherence and alignment of RAF with the strategy established by the Board of Directors and has reviewed and proposed the bases for the proposals upon which RAF has been drafted, which were, where appropriate, submitted to the Board by the Risk and Compliance Committee. The Committee has also supported the Board in analysing and monitoring the drafting of the Budget, the Capital Plan and the Liquidity and Funding Plan prior to submission to the Board.

  The Committee also undertook work to oversee, monitor and control the Group's risk management. It monitored the evolution of the risk profile and metrics; the most significant aspects relating to changes in the macroeconomic environment and other factors that impacted the Group's management and activities over the course of the financial year; as well as any developments in BBVA share prices.

  In addition, it has analysed progress in the corporate operation processes, the competence to decide on which rested with the Board, including their strategic and financial aspects, in advance of their consideration by the Board, as well as other issues and projects relating to the development of the Strategic Plan, like the Group's progress in terms of sustainability, (including environmental and social areas), participation by the Bank in other strategic initiatives, preparation of Investor Day, and the day-to-day management of business.

  The Committee has also monitored the progress made in promoting and accelerating the integration of sustainability into activities, business, risks and governance (KPIs, deep dive on portfolio alignment and climate-related risk work plan – ECB guide); and the Corporate Social Responsibility Policy, portfolio alignment and social commitment with the United Nations.

  Finally, particularly noteworthy is the work carried out by the Committee on the prior reporting of policies submitted to the Board, except for policies relating to issues handled by other Board committees; as well as the Group's authorisation to appoint administrators in subsidiaries or investee companies, and the granting of the powers vested in the Group.

- **Audit Committee:** regarding organisational and operational rules, the operational principles of the Audit Committee are indicated in its Regulations, which lay down the basic rules of its organisation and operation. In particular, the Audit Committee's Regulations stipulate that, inter alia, the Committee shall meet whenever it is called by its Chair, who is empowered to convene the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings. Executives responsible for the areas that manage matters within their remits may be called to meetings. This particularly applies to the Accounting and Internal Auditing areas, and, at the request of the heads of these, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager. Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings be limited to those cases where it is necessary and to the items of the agenda for which they are called.

  The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation and independence.

  Other aspects of the organisation and operation of the Committee shall be dealt with in the Regulations of the Committee itself. All matters not provided for in the aforementioned Regulations will adhere to the Regulations of the Board, insofar as they are applicable.

In terms of the most significant actions and tasks carried out by the Audit Committee during the 2021 financial year, in the performance of the functions established to it by law, it has analysed the following matters, submitting the corresponding reports and proposals to the Board for approval, where appropriate.

In relation to overseeing the financial statements and public information, it analysed and oversaw the process of preparing and presenting financial and non-financial information related to the Bank as well as its consolidated Group from the annual, half-yearly and quarterly reports, in order to determine its accuracy, reliability, adequacy and clarity, prior to its submission to the Board.

These financial information supervision functions were performed through a continuous process throughout the year, in which it has monitored the monthly development of the balance sheet and income statement, the quarterly and semi-annual financial reports, the closing results of each period and the preparation process for the corresponding financial information, paying special attention to the accounting criteria applied and any changes therein, as well as accounting regulations and the changes in the Group's scope of consolidation.

In addition, the Committee has continuously monitored and analysed on a monthly basis the main impacts that would affect the business, balance sheet and income statement of the Bank and its Group from an accounting perspective. In particular, the analysis and monitoring carried out on (i) the extraordinary update of macroeconomic information for the calculation of the expected loss due to credit risk, in application of the IFRS-9 accounting standard; (ii) the analysis of evidence of impairment of goodwill recorded in the Group's accounts for the major cash generating units (CGUs), in compliance with International Accounting Standard (IAS) 36; (iii) the relative breakdowns concerning the closure of corporate operations carried out by the Group and loans with public guarantees and the moratoria granted; (iv) information concerning risks and uncertainties arising from the crisis generated by COVID-19; and (v) changes in applied accounting policies or criteria, among other actions.

Hence, prior to their drafting and/or approval by the Board, the Committee oversaw the preparation of the individual and consolidated annual financial statements for the financial year, the half-yearly and quarterly financial statements, as well as other relevant financial information, including the CNMV Universal Registration Document, US SEC Form 20-F of the Securities and Exchange Commission (SEC), and the Prudential Relevance Report, among others, submitting to the Board the corresponding reports and/or opinions of the Committee on the financial information of the Bank and its Group.

In addition, within the financial information monitoring process, the Committee oversaw the sufficiency, suitability and effective functioning of the internal control systems established for the preparation of financial information, including tax-related systems, as well as learning from the internal reports and the reports by the executive areas of the Bank and the external auditor on the effectiveness of the internal financial control, submitting to the Board the Committee's reports on the sufficiency of the internal control systems established by the Group for the generation of financial information.

Similarly, at the same time as overseeing the main financial information of the Bank and its Group, the Committee analysed the Group's main tax figures, monitoring, inter alia, the real tax rate, total tax risk, the tax position on capital, as well as the main criteria used, the main decisions adopted and the impact on the Group's financial information.

With regards to activities related to the external audit, the Committee has maintained appropriate relationships with the heads of the external auditor, during each of the monthly meetings it has held, in order to ascertain the planning, stage and progress of the Annual Plan established for performing its work in connection with the audit of the Bank and Group annual financial statements, of the interim financial statements, and of other financial information subject to review during the account auditing.

It also received and analysed the opinion reports and communications required by account auditing legislation, from the external auditor, among which the following are of note: the work carried out on the Group's financial information, other regulatory work of the External Auditor, such as the supplementary report to the Bank's Annual Financial Statements, as well as confirmations of its independence with regard to the Bank and other companies within its group.

Similarly, in relation to the independence of the external auditor, the Committee has ensured that internal procedures are implemented to safeguard against situations that may give rise to independence conflicts. It has also opposed declarations made by the external auditor concerning confirmation of its independence with regard to BBVA and its Group, and issued the corresponding reports in accordance with applicable legislation.

The Committee also analysed, prior to its submission to the Board, the overall proposal for the External Auditor's fees for the 2021 financial year.

In addition, in 2021, in the best interest of the Bank and its Group, the Committee agreed to initiate a process of selecting auditors for the financial years 2022, 2023 and 2024 and agreed to submit to the Board of Directors, as a result of this selection process, its proposal for designation, which included the Committee's recommendation that the auditing firm that would provide a higher quality service to BBVA and its Group, and one that is better suited to its current needs, would be Ernst & Young, S.L. ("EY"), having agreed to propose to the next BBVA General Shareholders' Meeting the appointment of EY as auditor of the accounts of the Bank and its consolidated group for the financial years 2022, 2023 and 2024.

With regards to tasks carried out by Internal Audit, whose Head reports directly to the Audit Committee at each of its monthly meetings, the Committee has ensured that the Internal Audit area has the necessary material and human resources for effective performance of its functions, overseeing the efficiency and operation of the role as well as its independence from other areas of the Bank for such purpose.

Accordingly, the Committee analysed and approved the Annual Internal Audit Plan for the 2022 financial year, also overseeing at each of the monthly meetings held the development of the Annual Internal Audit Plan for the 2021 financial year, and the activity and reports issued by the area. It was also notified of the result of its most relevant work, weaknesses and opportunities for improvement identified, and the recommendations made by the Internal Audit as a result of its review work.

With regard to the Strategic Plan established by the Internal Audit Area for the 2020–2024 period, the Committee was informed of and monitored its progress during the financial year, analysing the development of all projects established for each of the strategic priorities defined, as well as the new lines of work defined by the Internal Audit area in the review of its strategy for attaining the objectives set forth in the aforementioned Strategic Plan.

Similarly, it ratified the contracting of so-called additional accounts auditing services, not included in the overall proposal for services of the external auditor, which had been pre-approved by the Chair of the Committee, having analysed its compliance with the independence requirements provided for by the regulations governing the auditing activity and the provisions in this respect of the Committee Regulations.

Finally, with regard to functions carried out in relation to the Internal Audit activity, the Committee assessed the performance of the head of the Internal Audit function based on the system of indicators and targets proposed by the Talent and Culture area of the Group.

Other functions carried out by the Committee during the financial year consisted of (i) oversight of the structure of the Group of Companies, as well as the Group's governance model for the control, oversight and management of its corporate structure; (ii) analysis, prior to the decisions to be taken by the Board, of the relevant corporate operations planned by the Group, monitoring the economic conditions and the main accounting impacts foreseen in the Group's financial statements; and (iii) analysis, after the recent changes incorporated in the Corporate Enterprises Act, of the procedure established by the Bank for reporting and periodic control of related-party transactions that had been delegated by the Board, in order to verify the fairness and transparency of transactions, as well as compliance with the legal criteria applicable to the delegation of such transactions.

Lastly, during the Bank's General Shareholders' Meeting held in 2021, the Committee informed shareholders of the main issues related to the matters within its remit, including overseeing the process of preparing Bank and Group financial information, which had been provided to shareholders for their approval, the result of the account auditing and of the function that the Committee had carried out in this matter, as well as the main issues related to the matters described in this section and other issues that were handled by the Committee.

- **Appointments and Corporate Governance Committee:** the Regulations of the Appointments and Corporate Governance Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. The Regulations of the Appointments and Corporate Governance Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, and set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Other aspects of the organisation and operation of the Committee shall be dealt with in the Regulations of the Committee itself. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

With respect to the Appointments and Corporate Governance Committee's most significant actions in 2021, in performing the functions assigned to it, of particular note were: the Committee's continuous analysis of the structure, size and composition of the Board of Directors, ensuring that they are suitable for the Corporate Bodies to best perform their functions; and the analysis of the directors' compliance with the independence and suitability criteria and the absence of any conflicts of interest for the performance of their duties, among other matters.

Taking this analysis framework into account, plus the process of ongoing renewal of the Board described above and the director selection processes led by the Committee, the Committee carried out the corresponding proposals and reports on the appointment and re-election of directors to the Board, for subsequent submission to the Company's General Meeting in 2021.

The committee also carried out an analysis of the evaluation of the operation of the Board and the performance of the functions of the Chairman of the Board and the Chief Executive Officer, submitting the corresponding reports for consideration by the Board, described earlier in section C.1.17.

Furthermore, with regard to functions relating to the Bank's Corporate Governance System, the Committee worked on this matter in 2021, and in this respect, it reviewed the draft Annual Corporate Governance Report for the 2020 financial year and received information on the outcome of the Corporate Governance Roadshow, based on which meetings were held with the Bank's main institutional investors and proxy advisors during the last months of 2021.

In the context of the above, the Committee carried out an analysis of the revised regulations during the 2020 financial year with a view to determining their impact on the Corporate Governance System. As a result of this analysis, it was determined it would be appropriate to amend the By-laws and Regulations of the General Meeting to accommodate the holding of the Meeting in a fully remote manner and those amendments were approved by the General Meeting held on 20 April 2021.

The Committee also verified that, in relation to matters affecting the conduct of executive directors for the payment of variable remuneration earned in previous financial years, the circumstances set out in the Remuneration Policy for BBVA Directors for the application of malus and clawback clauses had not occurred.

Finally, the Committee analysed the appointment and departure of senior managers that were proposed during the 2021 financial year, in line with the selection and appointment policy of the members of the Senior Management; The Committee reviewed and verified the suitability of the proposed new senior managers, submitting their corresponding reports to the Board.

- **Remunerations Committee:** Regulations of the Remunerations Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and functioning. The Regulations of the Remunerations Committee specifically provide, amongst other things, that the Remunerations Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, and set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Group employee or manager, and even arrange for them to appear without the presence of any other manager. It will, however, seek to ensure that the presence of persons outside the Committee during its meetings be limited to those cases where it is necessary and to the items on the agenda for which they had been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be dealt with in the Regulations of the Committee itself. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

With regard to the most important activities carried out by the Remunerations Committee during the 2021 financial year, the Committee has been focused on performing the duties assigned to it pursuant to Article 5 of its Regulations and developing the framework established in the Remuneration Policy for BBVA Directors, approved by the General Meeting held in April 2021, and in the BBVA Group's General Remuneration Policy updated by the Board of Directors in June 2021, which is generally applicable to all BBVA staff and which includes, in turn, the specific rules applicable to Identified Staff, including BBVA Senior Management. These policies focus on the recurring generation of value for the Group and also seeks to align the interests of its employees and shareholders with prudent risk management.

Therefore, the Remunerations Committee carried out the actions summarised below during the 2021 financial year to perform its functions and implement the aforementioned remuneration policies, submitting the corresponding proposals to the Board of Directors for approval, where appropriate.

In particular, the Remuneration Committee analysed the approach proposed for the approval of a new BBVA Directors' Remuneration Policy incorporating the new regulatory developments regarding remuneration that entered into force in 2021, in addition to certain modifications that reflect advances in market practices and the outcome of the dialogue between BBVA and its investors.

Accordingly, the Committee submitted to the Board of Directors for approval and subsequent submission to the General Shareholders' Meeting the proposal for the BBVA Directors' Remuneration Policy for financial years 2021, 2022 and 2023, together with the specific report on the Policy prepared by the Committee and proposals for agreements on the maximum number of shares to be delivered to the executive directors in execution of the same and those necessary to deal with the system of fixed remuneration with deferred delivery of shares for non-executive directors, in accordance with the provisions of the Policy.

In addition, the Remunerations Committee analysed and submitted the updated BBVA Group Remuneration Policy to the Board of Directors for adaptation to the regulatory developments that entered into force in 2021 and to align it with the changes made to the BBVA Directors' Remuneration Policy for financial years 2021, 2022 and 2023, approved by the General Meeting held in April 2021.

With regard to the Executive Directors, the Remunerations Committee submitted to the Board the necessary proposals for: determining the amount of the deferred portion of the Annual Variable Remuneration for the 2017 financial year and the update amount to be received where conditions for this were met, in 2021; agreement that the conditions for payment of the deferred portion of the Annual Variable Remuneration for the 2017 financial year that was applicable in 2021 were met; determining the calculation model and the amount of the discretionary pension benefits corresponding to the 2020 financial year for the Chairman and the former Executive Director, José Manuel Gonzalez-Paramo Marinez-Murillo, which are usually calculated by reference to the total Annual Variable Remuneration, which were not affected by the waiving by the Executive Directors of the Annual Variable Remuneration for the 2020 financial year in response to the exceptional circumstances arising from the COVID19 crisis; novation of the Chairman's contract to adapt its terms and conditions to the amendments included in the new BBVA Directors' Remuneration Policy approved in 2021; determining the minimum thresholds for the Attributable Profit and Capital Ratio established for generation of the Annual Variable Remuneration for 2021; and determining the Annual and Multi-year Performance Indicators for the calculation of the Annual Variable Remuneration for the 2021 financial year and their respective weightings, as well as the rules for updating the deferred cash portion of the remuneration; and determining the targets and scales of achievement associated with the Annual Performance Indicators for the calculation of the Annual Variable Remuneration for 2021.

As far as Senior Management is concerned, the Remunerations Committee submitted to the Board the necessary proposals for approval of the basic contractual terms applicable to Senior Management appointed by the Board of Directors in December 2020 and July 2021, in accordance with the basic contractual framework approved at the time by the Board for Senior Management and the proposals necessary for the salary review of certain senior managers, also within the aforementioned basic contractual framework.

In addition, the Committee has monitored the deferred variable remuneration for the 2017 financial year of those senior managers who benefited from this remuneration, whose payment was due in 2021.

Furthermore, given that the heads of Internal Audit and Regulation and Internal Control report directly to the Board, the Committee, within the framework of the remuneration model applicable to Senior Management, on the basis of the approaches taken by the Audit Committee and the Risk and Compliance Committee, respectively, submitted to the Board the proposal for targets and Annual Performance Indicators for the calculation of their Annual Variable Remuneration for the 2021 financial year.

With regard to Identified Staff, which includes members of Senior Management, the Remuneration Committee submitted to the Board the proposals for agreeing: determination of the achievement scales of the Multi-year Performance Indicators for the deferred portion of the Annual Variable Remuneration for the 2020 financial year, as well as the peer group for the TSR (Total Shareholder Return) indicator that is one of these, applicable to Identified Staff members who have not waived the full Annual Variable Remuneration for 2020 in view of the exceptional circumstances arising from the COVID19 crisis; and determination that the Multi-year Performance Indicators for the 2021 Annual Variable Remuneration and also the rules for updating the cash portion of that remuneration are the same as those established for the calculation of the 2021 Annual Variable Remuneration of the Executive Directors.

In fulfilment of its function of ensuring compliance with the remuneration policies established by the Company (BBVA Directors' Remuneration Policy and the BBVA Group General Remuneration Policy), the Committee carried out a review of its implementation in 2020 on the basis of the annual report issued to this effect by the Internal Audit area. In addition, the Committee has been informed of the development and outcome of identifying the Identified Staff of BBVA and its Group in the 2020 financial year.

The Committee also reviewed the information on remuneration of directors and senior management contained in the financial statements and submitted the Annual Report on the Remuneration of BBVA Directors for the 2020 financial year to the Board of Directors for approval and subsequent advisory voting by the General Shareholders' Meeting.

Finally, the Committee submitted to the Board for approval and subsequent submission to the General Meeting the approval of a maximum level of variable remuneration of up to 200 per cent of the fixed component of the total remuneration applicable to a maximum of 339 Identified Staff members, and the text of the report to be prepared by the Board in connection with this agreement.

- **Risk and Compliance Committee:** the Regulations of the Risk and Compliance Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Risk and Compliance Committee's Regulations stipulate, inter alia, that the Committee shall meet whenever it is called by its Chair, who is empowered to call the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings. This particularly applies to the Regulation & Internal Control area and the Risks area, and, at the request of the heads of these, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Bank employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they have been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be dealt with in the Regulations of the Committee itself. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  With regard to the most important activities carried out by the Risk and Compliance Committee during the 2021 financial year, in several of its meetings the Committee analysed and finally submitted a proposal for the BBVA Group's Risk Appetite Framework for the 2022 financial year (on the basis of the approach taken by the Executive Committee), as well as an update to the BBVA Group's General Risk Management and Control Model. These were submitted to the Board of Directors for its consideration and, where appropriate, its approval.

  On the other hand, during the 20201 financial year, the Committee reviewed reports on the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP), as well as regulatorily required adequacy proposals for capital and liquidity. This review was carried out to monitor the development of stress scenarios and verify their alignment with the approved Risk Appetite Framework, with assistance from the Risk, Finance and Regulation & Internal Control areas, amongst others. This made it possible to ensure that these reports and proposals faithfully reflected the Group's situation in the areas analysed prior to them being submitted for consideration by the Executive Committee and the Board of Directors.

  The Risk and Compliance Committee has participated in the annual review and updating of the Group's general risk management and control policies, both financial and non-financial, ensuring they are consistent with the Group's General Risk Management and Control Model.

The Risk and Compliance Committee also confirmed that the model is adequate and that the Group has structural risk-management areas both at corporate level and in each geographical and/or business area. They added that these function correctly and provide the Committee with the information required to understand the Group's risk exposure at all times, thus enabling the Committee to fulfil its monitoring, supervision and control functions.

The Risk and Compliance Committee has monitored the effectiveness of the Regulation & Internal Control area, involving itself in matters related to the Head of the area - among others, it has participated in the establishment of its objectives for the year and in the evaluation of its performance with respect to the previous year - and ensuring that the area has the resources necessary to carry out its functions.

The Risk and Compliance Committee has received monthly information from the Head of the Regulation and Internal Control Area on the activity of each of the units that make up that area, on the basis of the function´s Annual Plan presented to the Committee at the beginning of the year futher. In addition, the Committee has received direct periodic reports from the Heads of the Compliance, Non-Financial Risks and Internal Risk Control units, all of which are integrated into the Regulation and Internal Control Area.

Throughout the 2021 financial year, the Risk and Compliance Committee monitored the evolution of the different risks to which the Group is exposed—both financial (e.g. credit risk, structural risks, market risk, insurance risk) and non-financial (mainly operational risks)—as part of the BBVA Group's General Risk Management and Control Model and in accordance with the Risk Appetite Framework approved by the Board of Directors.

The Risk and Compliance Committee therefore received and analysed information from the Risk and Regulation & Internal Control areas suitably frequently, and had the support of the Group's Chief Risk Officer, the Head of Regulation & Internal Control, those in charge of each type of risk in the corporate field and the risk directors of the Group's main geographical and/or business areas, and spoke directly with each one to discuss this topic.

All of this afforded the Risk and Compliance Committee direct knowledge of the Group's risks, both globally and locally, allowing it to perform its function of monitoring the evolution of the Group's risks, regardless of the type of risk, the geographical or business area in which it originates, and even the sector or portfolio to which it belongs.

In the performance of this function, the Risk and Compliance Committee also regularly monitored the compliance of the metrics established for the 2021 financial year, with the necessary frequency and level of detail to ensure adequate monitoring of said indicators. To further enhance its monitoring of the Risk Appetite Framework, the Committee received information about key internal and external variables that do not directly form part of the Risk Appetite Framework but affect its compliance. All of this prior to its follow-up by the other corporate bodies with risk functions.

In particular, the Committee has carried out continuous cross-cutting monitoring of those risks most affected by the COVID-19 pandemic, with a focus on the behaviour of those credit portfolios which were subject to legal or sectoral moratoria, as well as new lending operations granted with public guarantees. The Committee has also carried out cross-cutting monitoring including through specific presentations on progress in integrating climate change risk into the Group's risk management.

In addition, the credit committees of Global Risk Management (GRM) informed the Risk and Compliance Committee periodically of the main credit risk operations in their respective areas of competency, as well as the Group's most significant cases of credit exposure. Also, the Risk and Compliance Committee was periodically provided with information about the qualitative risk operations authorised by the committees of Global Risk Management (GRM).

The Risk and Compliance Committee has analysed, in advance, the financial and non-financial risks of corporate operations submitted for consideration by the Board of Directors.

In 2021, the Committee received recurring information on the evolution of metrics and analysis in terms of profitability and capital, which evaluate the alignment of the resulting pricing in the financing and credit activity against the risk strategy and risk transfer in the Group.

Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Bank's Risk Appetite Framework. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

The Committee was involved in establishing the Multi-year Performance Indicators for the 2021 Annual Variable Remuneration, as well as the scales of achievement for the Multi-year Performance Indicators for the 2020 Annual Variable Remuneration for Identified Staff members who did not waive this entirely due to the exceptional circumstances arising from the COVID-19 crisis. It also analysed the result of the Multi-year Performance Indicators associated with the deferred annual variable remuneration for the 2017 financial year for Identified Staff, including executive directors and the rest of senior management, by checking its alignment with appropriate, effective and prudent risk management, prior to submission to the Board by the Remunerations Committee.

Furthermore, the Committee has participated in the process of establishing the remuneration policy of board members approved by the General Meeting in 2021, checking that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Bank.

The Committee was informed of the Risk area's structure, organisation and resources and incentive scheme as well as its means, systems and tools (including those in development stage), having verified that the Group has adequate resources in relation to its strategy.

The Risk and Compliance Committee participated in the review of the Group's Recovery Plan with a view to assessing its alignment with the Risk Appetite Framework approved by the Group and analysing the risk scenarios used, with the help of the Risk and Finance areas, inter alia, before being submitted to the Executive Committee and subsequently the Board of Directors for consideration.

With regard to the Committee's functions in the area of compliance, it should be noted, firstly, that during the 2021 financial year, the Committee analysed the policies prepared by the executive areas in this area (e.g. on conduct and prevention of money laundering and the financing of terrorism), as well as the updated version of the System and Charter of the Compliance Function, prior to consideration thereof by the Board of Directors.

The Committee also regularly monitored information received by the Compliance Unit over the course of the financial year regarding the Group's compliance with applicable internal and external regulations. The Committee examined the findings of the independent review processes carried out both internally within the Group and externally by the competent authorities, as well as the degree of progress in implementing planned measures within the various areas of activity (e.g. conduct, prevention of money laundering and terrorist financing, data protection). It also specifically monitored the activity of the Compliance Unit in relation to the MiFID regulations and bank transparency.

Moreover, the Committee was informed, as often as appropriate, of the findings of external audits and any other reviews carried out by external experts on compliance-related matters, including existing internal control measures concerning the prevention of money laundering and terrorist financing.

Also, regarding compliance with applicable internal regulations, the Committee was informed by the heads of the relevant executive areas of any pertinent compliance-related issues concerning the implementation of internal regulations (e.g. general policies, procedures) approved by the Group.

Furthermore, the Committee monitored the main legal risks deriving from litigation to which the Group is exposed, through the Global Head of Legal's presentation to the Committee, and the monitoring of developments in the Cenyt case, among other issues, was discussed.

Regarding BBVA's Crime Prevention and Criminal Risk Management Model, the Committee was informed of its development over the course of the financial year and the main lines of work involved in relation to the model's various elements.

The Committee was also informed by the head of the Compliance Unit—the unit responsible for promoting and ensuring, in an independent and objective manner, that BBVA acts with integrity, particularly in areas such as anti-money laundering, conduct with clients, security market conduct, anti-corruption and other aspects of corporate conduct—of the functioning of the whistleblowing channel, as well as of the noteworthy aspects of the area.

Finally, the Committee analysed the extent of implementation of the Annual Plan of the Compliance Unit for the 2020 financial year. It also examined the Annual Plan created for 2021, with corresponding monitoring of progress made in its implementation. The Committee was also informed of developments in the Compliance Unit's strategy for the period 2021-2024.

Regarding communications and recommendations from supervisors, the Committee was made aware of the major communications and inspections carried out by the Group's supervisory bodies, whether national or foreign, being informed, where appropriate, of the recommendations, weaknesses or areas of improvement identified, as well as the action plans and other measures established by the relevant executive areas in order to overcome them in time.

Finally, during the 2021 financial year, the Risk and Compliance Committee verified the progress and effectiveness of the various actions and initiatives drawn up by the Risk and Regulation & Internal Control areas to strengthen the risk and compliance culture in the Group, so as to enable employees to perform their duties in a secure environment, and to encourage the mitigation of risks, both financial and non-financial, to which their activities are exposed.

- **Technology and Cybersecurity Committee:** the Regulations of the Technology and Cybersecurity Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Technology and Cybersecurity Committee's Regulations stipulate, inter alia, that the Committee shall meet whenever it is convened by its Chair, who is empowered to call the Committee and set the agenda of its meetings. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Bank employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they have been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be dealt with in the Regulations of the Committee itself. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  With regard to the most relevant actions carried out by the Technology and Cybersecurity Committee during the 2021 financial year in the area of the Group's technology strategy, the Committee has received information on this matter from the managers of the Engineering Area regarding the main strategic projects and plans defined by the Engineering and Organization Area, with a focus on those related to the platform and core banking systems, transformation of the software solution development function, the reliability and resilience of the Group's platform and technology systems, the development of engineering solutions for the rest of the Group's areas, as well as networking and communication systems.

  Within the context of these plans and projects, the Committee has been informed of technological trends and of other issues pertaining to new technologies, applications, IT systems and best practices that affect or may affect the Group's technology strategy or plans.

  The Committee also received regular information on the metrics in place to monitor progress in the technology strategy set in place.

  With regard to the Committee's compliance with its functions in the field of oversight of technological risk and cybersecurity management within the Group,

  The Committee received information about the updated framework of technological risks to which the Group is exposed, as well as the plans set in place for identifying, managing, monitoring and mitigating such risks.

  In particular, the Committee has been provided with further detail on identification, management, monitoring and mitigation of IT-related risks, as well as the risks posed to the Group as a result of services that are contracted to third-party suppliers; along with the main risks associated with the use of shadow IT elements. The Committee also reviewed business continuity plans from the standpoint of technological infrastructure.

  Moreover, the Committee has reviewed the main programmes in the field of cybersecurity and has been informed about progress made, evolution of the established metrics and future plans.

  The Committee was also informed in the first half of the year about the activity carried out by the Engineering area to deal with the impacts of the pandemic, from three standpoints: ensuring business continuity, strengthening protection against cyberattacks and attempted fraud, and the activity of the war rooms created to manage the impacts of COVID-19

Finally, at each of its meetings, the Committee also received information on the main cybersecurity-related occurrences at industry level and on those that in turn are relevant to the BBVA Group. This information was provided by the head of the Corporate Security unit, who explained how the Group is prepared to deal with attacks of a similar nature, as well as how it has dealt with attacks and, where applicable, mitigated their consequences for the Group.

With respect to Section D (Related-party and Intragroup Transactions), see notes 48 and 53 respectively within the BBVA Individual and Consolidated Annual Financial Statements for the 2021 financial year. Section D.4 details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A. at the close of the financial year, with the company issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances, guaranteed by BBVA. Moreover, with respect to Section D.4, please refer to the section entitled 'Offshore financial centres' in the BBVA Consolidated Management Report for the 2021 financial year.

Furthermore, with respect to Section D.6, all members of the Board of Directors and BBVA Senior Management are subject to the provisions of the BBVA Code of Conduct, the Group's General Policy on Conflicts of Interest and the Internal Standards of Conduct in the Securities Markets, which establish principles and guidelines to identify, prevent and manage potential conflicts of interest. In particular, the Internal Standards of Conduct in the Securities Markets establishes that all persons subject to them must notify the head of their area or the Compliance unit of situations that could potentially and under specific circumstances may entail conflicts of interest that might compromise their impartiality, before they engage in any transaction or conclude any business in the securities market in which such may arise.

Complementary to Section E.3 of this report, and in relation to Preliminary Proceeding No. 96/2017 – Piece No. 9 regarding the provision of services by Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt) to the Bank, it should be noted that, since January 2019, this issue has been reported on a recurrent basis to the Bank's corporate bodies; namely the Board of Directors itself and also its committees that have powers in relation to this matter (the Audit Committee and the Risk and Compliance Committee). These bodies have driven and monitored internal investigation procedures, ensuring that the Bank fully cooperates with the judicial authorities and develops a policy of transparency.

In addition to the above, the Bank's management bodies have continued to implement various measures to strengthen the internal control systems of the Bank, some of which are described in the Compliance section of the Non-Financial Information Statement included in the Consolidated Management Report for the 2021 financial year, significant among which are the approval of new policies and other internal developments, improvement of internal control processes and strengthening of the crime prevention model.

It is also worth noting that the relevant documentation obtained from the internal investigation undertaken by the Bank in 2019 to help clarify the facts indicates that none of the current members of the Board of Directors nor the Executive Chairman of the Bank are implicated, and it has not been proven that the Bank has committed any criminal activity. BBVA argues that no criminal liability arises for the Bank from the facts investigated.

It must also be stressed that, to date, the case has not impacted the development of the Bank's business, nor has it negatively impacted the reputation indices, which are subject to recurrent monitoring by both the executive team and by its management bodies.

BBVA has created a specific area on its corporate web page with information on issues related to the Cenyt case (https://www.bbva.com/en/specials/the-cenyt-case/).

Complementary to section E.6 of this Report, in order to meet the new challenges that arise, the BBVA Group has a governance system that allows the Board to be informed of the real and potential risks that affect or may affect the Group at any time. Thus, in addition to the work carried out by the Bank's different areas of control (Risk, Regulation & Internal Control and Internal Audit), as well as other areas of the Bank, such as legal and finance, and the corresponding Board committees (such as the Risk and Compliance Committee or the Audit Committee), there is also the monitoring and supervision carried out by the Technology and Cybersecurity Committee. Its work allows the Board to be informed of the main technological risks to which the Group is exposed—including those relating to information security risks, information technology compliance risks and cybersecurity risks—as well as of current technological trends and strategies, business continuity plans in matters of technology and relevant cybersecurity events affecting the Group or which might affect it in the future, among other functions.

This risk control and management model, together with the procedures established to provide the corporate bodies (Board and RCC) with the means and information necessary for the proper performance of their functions (as detailed in section E.2 above and in the Governance and organisation section in the General risk management and control model section in the Risk management chapter of the individual and consolidated Management Reports for the 2021 financial year), enables the proper monitoring of new risks that, as the case may be, arise for the entity.

In addition to Recommendation 64 set out in section G, it is pointed out that, in accordance with the provisions of the BBVA Directors' Remuneration Policy, approved by the 2021 Annual General Shareholders' Meeting, the Bank has no commitments regarding the payment of compensation to executive directors.

As set out in the above-mentioned Remunerations Policy, the contractual framework defined for the executive directors establishes a post-contractual non-competition clause for executive directors, effective for a duration of two years after they leave their role as BBVA Executive Directors, provided that they do not leave due to retirement, disability or serious dereliction of duties. In compensation for this agreement, the Bank shall award the executive directors remuneration of an amount equivalent to their annual fixed remuneration for each year of the non-competition agreement, which will be awarded monthly over the course of the two years.

Furthermore, as stated in section C.1.13 above, the Bank has assumed pension commitments with the Chairman to cover the contingencies of retirement, disability or death, under the terms set out in the BBVA Directors' Remuneration Policy. In the case of the commitment to cover the retirement contingency, the scheme operates under a defined contribution system, for which the annual contributions to be made are fixed in advance. By virtue of this commitment, the Chairman is entitled to receive a retirement pension when he reaches the retirement age established by law, which shall be the sum of the contributions made by the Bank and its corresponding yields up to that date, provided that he does not leave his position as a result of serious dereliction of his duties. They do not provide for the possibility of receiving the retirement pension in advance.

Regarding adherence to codes of ethics or good practice, in the 2011 financial year the BBVA Board of Directors approved the Bank's adhesion to the CBPT (*Código de Buenas Prácticas Tributarias* — Code of Good Tax Practices) approved by the Large Corporations Forum according to the wording proposed by the Spanish Tax Agency (AEAT). The Group meets the obligations assumed as a result of this adherence and, during the 2021 financial year, voluntarily prepared and submitted to the Spanish Tax Agency the Annual Fiscal Transparency Report for companies adhering to the CBPT.

In addition, during the 2021 financial year and as part of the cooperative relationship maintained by the BBVA Group with the Spanish Tax Agency, the Self-Assessment Report on the data reported country-by-country for the 2019 financial year has been sent to the Spanish Tax Agency. In the process of analysing these data, the BBVA Group has carried out an assessment of tax risks on the basis of the financial indicators and ratios identified by the OECD in it document, Handbook on Effective Tax Risk Assessment.

In this vein, the BBVA Group has since adhered, during the 2013 financial year, to the Code of Practice on Taxation for Banks promoted by British tax authorities, and has also met its obligations.

Furthermore, BBVA is committed to implementing the provisions of the Universal Declaration of Human Rights and is a member of all major international initiatives for sustainable development, such as the Principles of United Nations Global Compact, the United Nations Environment Programme Finance Initiative, the UN Guiding Principles on Business and Human Rights, the Ecuador Principles, the Women's Empowerment Principles, the Green Bond Principles, the Social Bond Principles, the Sustainability Linked Bond Principles, the Green Loan Principles, the Social Loan Principles, the Sustainability Linked Loan Principles, the Thun Group of Banks on Human Rights, the Carbon Disclosure Project (CDP), the RE100, Science Based Targets and *Grupo Español para el Crecimiento Verde* (Spanish Green Growth Group) initiatives, the World Economic Forum (WEF)'s Alliance of CEO Climate Leaders, as well as those of others conventions and treaties of international organisations such as the Organization for Economic Co-operation and Development and the International Labour Organization. Also noteworthy is the fact that in 2019 BBVA signed, as a founding signatory, the Principles for Responsible Banking and joined the Collective Commitment to Climate Action as part of this year's UN Secretary-General's Climate Action Summit. Moreover, BBVA is firmly committed to the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change and, since 2017, the Bank has been part of the pilot group of banks committed to implementing the recommendations regarding financing and climate change published by the Financial Stability Board of the G20. In addition, in 2021, the Bank signed, as a founding signatory, the Net Zero Banking Alliance and the Collective Commitment to Financial Health and Inclusion, and BBVA Asset Management signed the United Nations Principles for Responsible Investment and the Net Zero Asset Managers Initiative.

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on 9 February 2022.

Indicate whether any directors voted against or abstained from voting on the approval of this report.

No

Annual Report on Directors' Remuneration

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.

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Remuneration of executive directors 2021

The remuneration accrued by executive directors in 2021 are the result of application of the Directors' Remuneration Policies approved by the General Shareholders Meeting.

Summary table of remuneration accrued in 2021

(Thousands of euro and shares)

Director	Fixed (paid in 2021)			Variable (payable in 2022)		Deferred Variable (payable in 2022)			
	Annual Fixed Remuneration	Other items		Upfront Payment[2] AVR 2021		Deferred AVR 2018[3]		Deferred AVR 2017[4]	
		In kind	Pension1 Other	Cash	Shares	Cash[5]	Shares	Cash[5]	Shares
Chairman (Carlos Torres Vila)	2,924	328	340	849	159,235	364	107,386	146	27,898
Chief Executive Officer (Onur Genç)	2,179	158	1,254	645	120,977	332	61,282	-	-

(1) Agreed annual contribution to cover the retirement contingency (EUR 439 thousand) minus the downward adjustment to the "discretionary pension benefits" of EUR 98 thousand registered in 2021 (see section 4.3. A. c.) and "*Cash in lieu of pension*" and mobility allowance of the Chief Executive Officer. Moreover, and in accordance with the contractual provisions described in section 4.3 A. c) below, the Bank has paid in 2021 annual insurance premiums to cover death and disability contingencies of an amount of EUR 574 thousand in the case of the Chairman and EUR 295 thousand in the case of the Chief Executive Officer.
(2) 40% AVR 2021.
(3) In 2022 falls due the payment of the Upfront Portion of 2018 Deferred AVR (60%) in the case of the Chairman and payment of the entire 2018 Deferred AVR in the case of the Chief Executive Officer, once the relevant downward adjustments due to the result of multi-year performance indicators have been applied (see section 4.3 B c). Exchange rate at the end of January 2022 (1.1156 USD/EUR) in the case of the Chief Executive Officer.
(4) In 2022 falls due the second payment to the Chairman of 2017 Deferred AVR (20%). The Chief Executive Officer does not have any 2017 Deferred AVR pending payment.
(5) Includes updates made per the year-on-year CPI.

Total remuneration of executive directors corresponding to 2021: link with results and comparison with previous years

Remuneration accrued by executive directors corresponding to 2021 financial year is the result of the changes introduced in the Remuneration Policy approved at the General Meeting of 20 April 2021, by virtue of which, in the case of the **Chairman, the amount of the annual contribution agreed to cover the retirement contingency was reduced from EUR 1,642 thousand** (67% of the Annual Fixed Remuneration) **to EUR 439 thousand** (15% of the Annual Fixed Remuneration).

As a result of the foregoing, **the remainder of the annual contribution established in the previous policy was integrated, in part, in his Annual Fixed Remuneration and, in part, in its "Target" Annual Variable Remuneration**, abiding by, in each case, the balance established in the Policy between these two components (45%-55%), with a **reduction in the total amount to be transferred to them of EUR 157 thousand**.

As a result of these changes **the Chairman's total remuneration was reduced with respect to the figure stipulated in the previous policy**. Likewise the change of structure involved **an increase of his pay at risk linked to the Institution's results.**

In the table included below, comparative information of the total remuneration corresponding to three financial years (which in this case includes total remuneration of directors in each of them, considering the total AVR of the financial year and not considering deferred variable remunerations from previous years).

For this purposes, together with the change of the Directors' Remuneration Policy approved in 2021 financial year, it may be outlined that the executive directors waived the Annual Variable Remuneration corresponding to 2020 financial year, in view of the situation arising from the COVID-19 crisis, which for the rest of the workforce, who did not waive it, partially or in full, had an achievement of 60%.

On the other hand, 2021 Annual Variable Remuneration is explained by the **excellent results obtained by the Group** in the different Annual Performance Indicators for the calculation of 2021 AVR determined by the Board of Directors at the beginning of that year. Notwithstanding 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[1] set targets for the calculation of the 2021 AVR, which were over the analysts consensus at that time (set at EUR 2,944 million in the case of the Attributable Profit). As a result of the management carried out, these targets have not only been achieved, but overachieved.

[1] For the purposes of this Report the Board of Directors of BBVA and its Committees.

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Thus, the BBVA Group has obtained a recurring attributable profit of EUR 5,069 million, without including the results generated, until June 2021, by BBVA USA and its subsidiaries and the costs of the restructuring plan in Spain. The amount of profit considered for incentive purposes has been said recurring profit, excluding, in addition, the cost savings not budgeted generated in the year by the restructuring plan in Spain, reaching, therefore, an **attributable profit of EUR 5,028 million**. This data of profit is the one also considered for the calculation of the rest of the financial indicators for incentive purposes.

Chairman	2021				2020				2019			
Annual Fixed Remuneration (EUR thousand)	2,924				2,453				2,453			
Remuneration in kind (EUR thousand)	328				228				184			
Annual pension contribution (EUR thousand)	340[1]				1,657[2]				1,641[3]			
Annual Variable Remuneration[4] (miles €)	4,244				0				3,180			
"Target" AVR (EUR thousand)	*3,572*				*2,997*				*2,997*			
Level of achievement	119%				60%[6]				106.11%			
Annual Performance Indicators	**Wei.**	**Res.**[5]	**Tgt.**	**Ach.**	**Wei.**	**Res.**	**Tgt.**[6]	**Ach.**	**Wei.**	**Res.**	**Tgt.**	**Ach.**
Attributable profit (excluding corporate transactions)	10%	5,028 mill.€		150 %	-	3,084 mill.€		0%	10%	4,830 mill.€		112%
Tangible Book Value per share	15%	6.55		97%	-	6.15		43%	10%	6.50		100%
RORC	10%	14.03 %		150 %	-	6.76%		0%	15%	8.79%		113%
Efficiency ratio	10%	45.51 %		123 %	-	46.82 %		119%	15%	48.50%		109%
Customer Satisfaction (NPS)	10%	101		101 %	-	107		107%	10%	97		97%
Mobilisation of sustainable financing	10%	30,615 mill. €		120 %	-	-		-	-	-		-
Digital sales	10%	99		99%	-	86		86%	10%	113		113%
Individual indicators	25%	120		120 %	-	-		-	30%	102		102%
TOTAL REMUNERATION (EUR thousand)	**7,837**				**4,338**				**7,458**			

(1) From the annual agreed contribution to the retirement pension corresponding to 2020 (EUR 1,462 thousand), 15% (EUR 246 thousand) was considered variable remuneration and registered as "discretionary pension benefits". In 2021, this amount was adjusted by reference to the result of 2020 AVR of the rest of the Bank's staff (as the Chairman waived the accrual of AVR in 2020). The foregoing resulted in a downward adjustment of EUR 98 thousand, which had to be registered in 2021, by reducing the annual agreed contribution for the retirement pension corresponding to 2021 in such amount (see section 4.3 A c).

(2) From the annual agreed contribution to the retirement pension corresponding to 2019 (EUR 1,462 thousand), 15% (EUR 246 thousand) was considered variable remuneration and registered as "discretionary pension benefits". In 2020, this amount was adjusted by reference to the 2019 Annual Variable Remuneration of the Chairman. The foregoing resulted in an upward adjustment of EUR 15 thousand which had to be registered in 2020 financial year. Therefore, in 2020 the annual agreed contribution to the retirement pension (EUR 1,462 thousand) was increased in an amount of EUR 15 thousand.

(3) From the annual agreed contribution to the retirement pension corresponding to 2018 (EUR 1,462 thousand), the adjustment to the "discretionary pension benefits" of that year, which had to be registered in 2019, was of EUR 1 thousand, applying the criteria set forth in note 2 above.

(4) Amount of total Annual Variable Remuneration in cash. Of this remuneration, 40% shall be paid in 2022 (in equal parts in cash and BBVA shares), while the remaining 60% (40% in cash and 60% in BBVA shares) has been deferred and is subject to the results of multi-year performance indicators (see section 4.3. B).

(5) Results for incentive purposes (see Section 4.3 B a) "Link between the 2021 AVR with results").

(6) In 2020, incentive-related targets for executive directors were not approved due to their waiver of all 2020 AVR in view of the exceptional circumstances arising from the COVID-19 crisis. For comparative purposes, the level of achievement reached for the Group targets for the rest of the workforce (60%) is included.

Chief Executive Officer	2021				2020				2019			
Annual Fixed Remuneration (EUR thousand)	2,179				2,179				2,179			
Remuneration in kind (EUR thousand)	158				132				144			
Other fixed allowances (EUR thousand)	1,254				1,254				1,160			
Annual Variable Remuneration [1] (EUR thousand)	3,224				0				2,854			
"Target" AVR (EUR thousand)	*2,672*				*2,672*				*2,672*			
Level of achievement	**121%**				**60%** [3]				**106.82%**			
Annual Performance Indicators	**Wei.**	**Res.** [2]	**Tgt.**	**Ach.**	**Wei.**	**Res.**	**Tgt.** [3]	**Ach.**	**Wei.**	**Res.**	**Tgt.**	**Ach.**
Attributable profit (excluding corporate transactions)	15%	5,028 mill.€	●	150 %	-	3,084 mill.€	●	0%	20%	4,830 mill.€	●	112%
Tangible Book Value per share	10%	6.55	●	97%	-	6.15	●	43%	10%	6.50	●	100%
RORC	10%	14.03 %	●	150 %	-	6.76%	●	0%	15%	8.79%	●	113%
Efficiency ratio	15%	45.51 %	●	123 %	-	46.82 %	●	119%	15%	48.50%	●	109%
Customer Satisfaction (NPS)	15%	101	●	101 %	-	107	●	107%	15%	97	●●	97%
Mobilisation of sustainable financing	10%	30,615 mill. €	●	120 %	-	-		-	-	-		-
Digital sales	10%	99	●	99%	-	86	●	86%	10%	113	●	113%
Individual indicators	15%	120	●	120 %	-	-	●	-	15%	102	●	102%
TOTAL REMUNERATION (EUR thousand)	6,815				3,565				6,337			

(1) Amount of total Annual Variable Remuneration in cash. Of this remuneration, 40% shall be paid in 2022 (in equal parts in cash and BBVA shares), while the remaining 60% (40% in cash and 60% in BBVA shares) has been deferred and is subject to the results of multi-year performance indicators (see section 4.3. B).

(2) Results for incentive purposes (see Section 4.3 B a) "Link between the 2021 AVR with results").

(3) In 2020, incentive-related targets for executive directors were not approved due to their waiver of all 2020 AVR in view of the exceptional circumstances arising from the COVID-19 crisis. For comparative purposes, the level of achievement reached for the Group targets for the rest of the workforce (60%) is included.

Deferred remuneration from previous years payable in 2022

2018 Deferred AVR (EUR thousand and shares)										
Executive directors	Maximum amount of 2018 DAVR		Reduction (*ex post* adjustments)		Final amount of 2018 DAVR		Amount of 2018 DAVR to be paid in 2022[1]		Amount of 2018 DAVR to be paid each year in 2023 and 2024	
	Cash	Shares	Cash	Shares	Cash	Shares	Cash[2]	Shares	Cash	Shares
Chairman	574	180,785	-1%	-1%	569	178,977	341	107,386	114	35,795
Chief Executive Officer	302	61,901	-1%	-1%	299	61,282	299	61,282	-	-

(1) Relates to the **first payment** (60%) in the case of the **Chairman** (with 20% scheduled to be paid in 2023 and the remaining 20% scheduled to be paid in 2024) and **the entire payment** in the case of the **Chief Executive Officer**, in view of the deferral periods and payment schedules established in the remuneration policies applicable to each of them in 2018. The January 2022 closing exchange rate was used to calculate the Chief Executive Officer's 2018 deferred AVR in euros (USD/EUR 1.1156).

(2) This amount will be updated through application of the CPI in the amount of EUR 23 thousand in the case of the Chairman and EUR 33 thousand in the case of the Chief Executive Officer.

The **results obtained for each of the 2018 DAVR Multi-year Performance Indicators, and the threshold for no reduction set for each of them**, are detailed below:

2018 Deferred AVR (long-term measurement period 2019 - 2021)							
2018 DAVR Multi-year Performance Indicators	Solvency		Liquidity		Profitability		
	Economic Adequacy (Economic Equity/ ECR)	Fully loaded CET1	LtSCD (loan-to-stable customer deposits)	LCR (Liquidity Coverage Ratio)	(Net Margin - Loan-Loss Provisions)/Average Total Assets	ROE (Return on Equity)	TSR (Total Shareholder Return)
Weighting	20%	20%	10%	10%	10%	20%	10%
Threshold for no reduction	≥ 100%	≥ 9.48%	≤ 140%	≥ 106%	≥ 0.20%	≥ 1.0%	1st to 8th
Result	152%	11.97%	104%	147%	1.18%	8.7%	9th
% reduction	0%	0%	0%	0%	0%	0%	1%

With respect to the **TSR indicator**, which tracks total returns for shareholders, BBVA's performance was compared to that of the peer group approved by the Board of Directors in 2019 and set forth in Annex 2 over the three-year period from 1 January 2019 to 31 December 2021.

Second payment of the 2017 Deferred AVR

The amount of this remuneration was determined in the 2021 financial year considering the result of the Multi-year Performance Indicators approved in 2017, which was reported in the Annual Report on the Remuneration of Directors corresponding to the 2020 financial year. In 2022 the second payment of this deferred remuneration falls due to the Chairman, in the following terms:

Chairman's 2017 Deferred AVR (EUR thousand and shares)							
Maximum amount of 2017 DAVR		Amount of 2017 DAVR paid in 2021 (60%)		Amount of 2017 DAVR to be paid in 2022 (second payment 20%)		Amount of 2017 DAVR to be paid in 2023 (third payment 20%)	
Cash	Shares	Cash[1]	Shares	Cash[2]	Shares	Cash	Shares
675	139,488	405	83,692	**135**	**27,898**	135	27,898

(1) Amount updated in 2021 through application of the CPI in the amount of EUR 6 thousand.
(2) Amount that will be updated in 2022 through application of the CPI in the amount of EUR 11 thousand.

2021 remuneration of non-executive directors

The remuneration accrued by non-executive directors in 2021 is the result of application of the Directors' Remuneration Policy approved by the General Meeting held on 20 April 2021. The amounts corresponding to the positions of member of the Board, member and chair of the Board Committees, and Deputy Chair and Lead Director, albeit having been reallocated, have not experienced any increases since 2007.

2021 Annual fixed allowance

(EUR thousand)

Non-executive directors	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	**1,673**	**667**	**431**	**642**	**278**	**301**	**171**	**130**	**4,293**

(1) Amounts received in 2021 by José Miguel Andrés Torrecillas, as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, as Lead Director.

In addition, non-executive directors received **remuneration in kind** amounting to a total of EUR 102 thousand in 2021.

Fixed remuneration system with deferred delivery of BBVA shares

Through the implementation of this system, 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 EUR 4.44 per share. Pursuant to the Policy, BBVA shares will only be delivered after directors cease to hold such office, given that this is not due to a serious dereliction of duties.

Non-executive directors	"Theoretical shares" allocated in 2021	"Theoretical shares" accumulated as of 31/12/2021
José Miguel Andrés Torrecillas	22,860	98,772
Jaime 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**

Creating Opportunities

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS
COMPANY NAME: Banco Bilbao Vizcaya Argentaria, S.A.
REGISTERED OFFICE: Plaza de San Nicolás, número 4, 48005, Bilbao (Bizkaia)
Tax identification number (CIF): A-48265169.

1. Introduction

This report has been prepared in accordance with the provisions of Article 541 of the Consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, and in accordance with the provisions of Spanish National Securities Market Commission (**CNMV**) Circular 4/2013[2].

The Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA**, the **Institution**, the **Company** or the **Bank**), at its meeting held on 9 February 2022 and on the proposal of the Remuneration Committee, has approved this Annual Report on the Remuneration of BBVA Directors (the **Remunerations Report** or the **Report**), the purpose of which is to disclose complete, clear and comprehensible information on the remuneration policy applicable to the members of the BBVA Board of Directors for the current financial year (2022), together with a global summary of the application of the remuneration policy during the financial year last ended (2021) and a breakdown of the individual remuneration of each type accrued by each director during such financial year.

The BBVA Directors' Remuneration Policy applicable in 2021 and 2022 was that approved by the General Meeting held on 20 April 2021 (the **Directors' Remuneration Policy** or the **Policy**). This Policy is fully compliant with the modifications introduced by Act 5/2021 to article 529 novodecies of the Consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July[3].

This Report also includes information on the BBVA Group General Remuneration Policy, which is based on the same principles as those governing the BBVA Directors' Remuneration Policy and which also sets forth certain special provisions applicable to the categories of staff whose professional activities have a material impact on the risk profile of BBVA or its Group (the **Identified Staff**), including members of BBVA Senior Management.

This Report, together with the **statistical appendix** included in section 5, has been disclosed as other relevant information simultaneously with the annual corporate governance report, and will be submitted for a consultative vote as a separate item on the agenda of the Annual General Meeting for the 2022 financial year. Likewise, this Report is included, in a separate section, in the management report of the individual financial statements of BBVA and the consolidated financial statements of the BBVA Group for the 2022 financial year.

Annex 3, **Alignment with the Format set out in Circular 4/2013**, specifies the location in this Report of the information set forth in each section of the standardised electronic format published by the CNMV.

[2] Circular 4/2013, of 12 June, of the National Securities Market Commission, which establishes the templates of the annual report on the remuneration of directors of listed companies and of the members of the board of directors and of the control committee of savings banks that issue securities admitted to trading on official securities markets, as amended by Circular 3/2021, of 28 September, of the National Securities Market Commission, which amends Circular 4/2013, of 12 June, which establishes the templates for the annual report on remuneration of directors of listed companies and members of the board of directors and of the control committee of savings banks that issue securities admitted to trading on official securities markets; and Circular 5/2013, of 12 June, which establishes the annual corporate governance report templates for listed public limited companies, savings banks and other entities that issue securities admitted to trading on official securities markets.

[3] Which governs the approval regime and the minimum content of the directors' remuneration policy of listed companies.

This document should be read in conjunction with the BBVA Directors' Remuneration Policy and Note 54 of the Annual Report of BBVA Group's consolidated Annual Financial Statements for the 2021 financial year, which includes, individually and by item, the remuneration of the directors for the 2021 financial year. These documents, and this Report, are available on the Bank's website (www.bbva.com).

2. BBVA Group General Remuneration Policy

2.1. General principles

BBVA has a BBVA Group General Remuneration Policy that is generally applicable to all employees and senior managers of BBVA and the companies that comprise its group (the **BBVA Group** or the **Group**) and is directed towards the recurrent generation of value for the Group, the alignment of the interests of the Group's employees and shareholders with prudent risk management and the furtherance of the strategy defined by the Group (the **BBVA Group General Remuneration Policy**).

This policy is one of the elements devised by the Board of Directors, as part of the Bank's Corporate Governance System, to promote proper management and oversight of the Institution and its Group, and is based on the following **principles**:

- creating long-term value;
- achieving results through prudent and responsible risk-taking;
- attracting and retaining the best professionals;
- aligning one's remuneration with their level of responsibility and professional career;
- ensuring internal equity and external competitiveness;
- ensuring equal pay for men and women; and
- ensuring the transparency of the remuneration model.

BBVA has defined the Group General Remuneration Policy based on these principles, taking into account, in addition to obligatory compliance with the legal requirements applicable to credit institutions and the different sectors in which the Group operates, alignment with best market practices. As such, items have been included in this Policy that are aimed at reducing exposure to excessive risks and aligning remuneration with the Group's business strategy and its long-term objectives, values and interests.

Thus, the foregoing principles contribute to ensuring that the BBVA Group General Remuneration Policy:

- ✓ contributes to the business strategy of BBVA and its Group and to the achievement of its objectives, values, interests, value creation and long-term sustainability;

- ✓ is compatible with and promotes prudent and effective risk management and does not provide incentives to assume risks that exceed the level tolerated by the Institution or the Group, in a manner that is consistent with the BBVA Group's risk strategy and culture;

- ✓ is clear, comprehensible and transparent, with simple wording that facilitates understanding of the different components of remuneration and the conditions for the award, vesting and payment thereof. To that end, it clearly distinguishes between the criteria for determining fixed remuneration and variable remuneration;

- ✓ is gender neutral, reflecting equal remuneration for the same duties or duties of equal value, and does not differentiate or discriminate on the basis of gender;

- ✓ includes measures to avoid conflicts of interest, promoting the independence of judgement of persons involved in decision-making and in the oversight and control of management and the establishment of remuneration systems; and

- ✓ procures that remuneration is not based solely or primarily on quantitative criteria, taking into account appropriate qualitative criteria that reflect compliance with applicable regulations, and corporate culture and values.

2.2. Special provisions applicable to Identified Staff

The BBVA Group General Remuneration Policy includes a section that contains the specific rules applicable to the Identified Staff of BBVA and its Group, which includes members of the Board of Directors[4] and BBVA Senior Management. These rules have been established in accordance with the regulations and recommendations applicable to the remuneration schemes of such staff and, in particular, with the provisions of Act 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions (**Act 10/2014**) and its implementing regulations.

These rules aim to further align BBVA's remuneration practices with applicable regulations, good governance recommendations and best market practices.

The result is an incentive scheme that is particularly oriented towards aligning the remuneration of the members of the Identified Staff with the Group's long-term objectives, values and interests, with the creation of value, and with prudent risk management on the basis of, inter alia, the following key features:

- **Balance between fixed and variable remuneration**

The fixed and variable components of total remuneration must be appropriately balanced, ensuring that the policy is fully flexible with regard to payment of the variable components such that these components may be reduced in their entirety, where appropriate.

For these purposes, the Bank has defined certain "target" ratios between the main components of the fixed and variable remuneration, taking into account both the duties carried out and the impact thereof on the risk profile. In the case of control functions, in order to reinforce the independence and objectivity of such functions, the fixed components of their remuneration have a greater weight than the variable components, the latter being related, for the most part, to the function's own goals.

- **Variable remuneration limit**

The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Shareholders' Meeting resolves to increase this percentage, up to a maximum of 200%.

[4] The remuneration of members of the BBVA Board of Directors is regulated by a specific remuneration policy, as described later in this Report. Directors are expressly excluded from the scope of application of the BBVA Group's General Remuneration Policy, although they are members of Identified Staff by virtue of the applicable regulations.

- **Prohibition on hedging strategies**

The use of personal hedging strategies and insurance relating to variable remuneration and liability that could undermine the effects of alignment with prudent risk management is prohibited.

- **Specific rules for the accrual, award, vesting and payment of Annual Variable Remuneration**

- **Accrual and award of Annual Variable Remuneration**

  In order to ensure alignment with results and long-term sustainability, the annual variable remuneration of the Identified Staff (including executive directors and members of Senior Management) will not accrue, or will accrue in a reduced amount, if certain **profit and capital ratio** levels, as determined by the Board of Directors, are not achieved. These levels shall also be applicable to the rest of the staff.

  Likewise, the annual variable remuneration will be reduced in the event that, at the time of each beneficiary's performance evaluation, there has been a downturn in the Group's results or other parameters, such as the level of achievement of budgeted targets.

  The annual variable remuneration of members of the Identified Staff, as well as that of the other employees of the BBVA Group, consists of an annual incentive that reflects performance as measured through the achievement of certain targets that are aligned with the risk incurred, and is calculated on the basis of:

  (i) annual performance indicators (financial and non-financial), which take into account current and future risks as well as the strategic priorities defined by the Group (**Annual Performance Indicators**);

  (ii) scales of achievement that may be established according to the weighting assigned to each indicator and based on the targets set for each of them; and

  (iii) a "target" annual variable remuneration, representing the amount of the annual variable remuneration in the event that 100% of the previously established targets are reached (the T**arget Annual Variable Remuneration** or **Target Bonus**).

  The amount to be received as annual variable remuneration through application of the corresponding scales of achievement may range from 0% - 150% of the "target" annual variable remuneration. The resulting amount will constitute the annual variable remuneration of each beneficiary (the **Annual Variable Remuneration** or **AVR**).

  The financial annual performance indicators will be aligned with the most relevant management metrics for the Bank while the non-financial indicators will be related to the strategic targets defined at the Group level, the area level and for each individual beneficiary.

  In no event will variable remuneration limit the Group's capacity to strengthen its capital base in accordance with regulatory requirements, and it will take into account current and future risks as well as the cost of the necessary capital and liquidity, reflecting performance that is sustainable and adapted to risk.

- **Upfront payment**

  Once granted, 60% of the Annual Variable Remuneration of the Identified Staff — 40% in the case of members of the Identified Staff with particularly high variable remuneration and members of BBVA Senior Management — will vest and be paid, if the applicable conditions are met, during the first quarter of the financial year as a general rule (the **Upfront Portion**).

- **Deferral rules**

  40% of the Annual Variable Remuneration — 60% in the case of members of the Identified Staff with particularly high variable remuneration and members of BBVA Senior Management — will be deferred for a period of four years (the **Deferred Portion**, the **Deferred AVR** or the **DAVR**). In the case of members of BBVA Senior Management, the deferral period shall be five years.

- **Payment in shares or instruments**

  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. For members of BBVA Senior Management, 50% of the Upfront Portion and 60% of the Deferred Portion shall be established in BBVA shares.

- **Withholding period**

  The shares or instruments awarded as Annual Variable Remuneration, both for the Upfront Portion and the Deferred Portion, shall be withheld for a one-year period following delivery. The foregoing shall not apply to those shares or instruments the sale of which would be required to honour the payment of taxes accruing on delivery.

- ***Ex post* adjustments to the Deferred Portion**

  In order to ensure that the assessment process of the results to which the Annual Variable Remuneration is linked falls within a multi-year framework that considers long-term results, and to ensure that the effective payment of the Annual Variable Remuneration is made over a period that takes into account the economic cycle of the Institution and its risks, the Annual Variable Remuneration of the Identified Staff will be subject to *ex post* adjustments aligned with prudent risk management that are linked to the results of multi-year performance indicators. In this way, the Deferred AVR of members of the Identified Staff may be reduced, but never increased, based on the results of indicators that are aligned with the Group's core metrics for risk control and management, related to solvency, liquidity, profitability and the value creation (the **Multi-year Performance Indicators**).

- **Malus and clawback arrangements**

  The entirety of the Annual Variable Remuneration of members of the Identified Staff shall be subject to variable remuneration malus and clawback arrangements during the whole deferral and withholding of shares period.

As a result of the foregoing, the **BBVA Group has applied a solid and consistent remuneration policy over time** that contributes to its business strategy and sustainable performance and that is aligned with the long-term interests of the Institution, the interests of its shareholders and prudent risk management.

3. Directors' Remuneration Policy applicable in 2021

The **remuneration policy applicable to members of the Board of Directors** is based on the same principles and, in the case of executive directors, is subject to the same scheme that inspires the BBVA Group General Remuneration Policy described in the previous section[5]. This policy was approved by the General Shareholders' Meeting held on 20 April 2021, **is applicable during the 2021, 2022 and 2023 financial years**, and is available on the Bank's website (the **Directors' Remuneration Policy** or the **Policy**).[6]

The primary **new developments** in this Policy as compared to the previous policy are as follows:

- Explicit incorporation of the **principle of equal pay** for men and women.
- Incorporation of **sustainability** metrics into the variable remuneration scheme for executive directors.
- Transformation of the **Chairman's pension system**, resulting in a change in the remuneration amounts and reduction of his total remuneration.
- Changes to the **payment schedule** for the Deferred Portion of the Annual Variable Remuneration of executive directors.
- Changes to the **malus and clawback arrangements** of the Annual Variable Remuneration of executive directors.
- Adaptation to **new regulatory developments** with entry into force in 2021[6] and to good governance recommendations and other **technical improvements** in transparency and clarity of the remuneration scheme.

The Directors' Remuneration Policy has been designed in accordance with corporate legislation and the specific regulations applicable to credit institutions and in accordance with the provisions of the Bylaws, while also taking into account best practices and recommendations on the field of remuneration at the local and international levels.

The **Policy** distinguishes between the remuneration system applicable to the directors in their capacity as such (non-executive directors) and that applicable to executive directors (those who perform management duties in the Institution), and contains different measures to promote prudent management of excessive risks and tailor remuneration to the long-term interests of the Institution, as described in section 2.

3.1. Decision-making process for approval of the Policy

In accordance with the Regulations of the Board of Directors, one of the Board's functions is to approve the remuneration policy applicable to the directors for purposes of submitting it to the General Shareholders' Meeting.

For its part, the Remuneration Committee is the body that assists the Board in matters of remuneration, and is responsible for proposing to the Board of Directors (for its submission to the General Shareholders' Meeting) the remuneration policy applicable to the directors, together with its corresponding report.

[5] www.bbva.com

[6] In particular, to the changes introduced by Act 5/2021, of 12 April, by which the Consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July was amended.

In addition, as part of the decision-making process in remuneration matters, the Remuneration Committee works with the Risk and Compliance Committee, which participates in the establishments of the remuneration policy to ensure that it is consistent with sound and effective risk management and does not provide incentives to take risks in excess of the level tolerated by the Institution.

The Remuneration Committee is charged with ensuring compliance with the remuneration policies established by the Company and reviewing them periodically, proposing any modifications it may deem necessary in order to ensure, among other things, that such policies are adequate for purposes of attracting and retaining the best professionals, contribute to the creation of long-term value and the adequate control and management of risks, and comply with the principle of equal pay.

In 2021, new regulations governing remuneration that took effect during the financial year, together with developments in market practice, the outcome of dialogue between BBVA and its investors and the very nature of the Bank's Corporate Governance System, led the Remuneration Committee to review the directors' remuneration policy and the remuneration system as a whole.

To this end, the Remuneration Committee was assisted by **the Bank's internal services**, as well as with the advice of two leading independent consulting firms on the remuneration of directors and senior managers: **Willis Towers Watson**, for analyses and market comparisons, and **J&A Garrigues, S.L.P.**, for legal analysis of the Policy.

In the development of the Policy, the Remuneration Committee analysed the remuneration payable by the main comparable financial institutions in BBVA's peer group for remuneration purposes to individuals holding similar positions, as well as market practice in relation to variable remuneration models, including deferral schemes, in the case of the Chairman and the Chief Executive Officer.

Finally, pursuant to the provisions of Articles 511 bis and 529 novodecies of the Spanish Corporate Enterprises Act, the Directors' Remuneration Policy was submitted, as a separate item on the agenda, for the **approval of the Bank's General Shareholders' Meeting held on 20 April 202**1, which approved it with a majority voting in favour (93.59%) . Both the text of the Policy and the specific Remuneration Committee report in respect thereof were made available to shareholders following the date on which the General Meeting was called.

As part of the governance and supervision model applicable to the Policy, the Remuneration Committee is empowered to propose to the Board of Directors for approval or, where applicable, submission to the General Meeting where required by law, the implementation of all amendments or exceptions to the Policy that may be necessary during its term.

Specifically, the Policy provides that the Board of Directors, following analysis by and on the proposal of the Remuneration Committee, may agree to make temporary exceptions to the Policy in connection with the award, vesting and/or payment of all components provided for in the Policy in the event this is necessary to serve the long-term interests and sustainability of the Company as a whole or to ensure its viability. In no event may any exceptions be applied that are based on gender considerations or other aspects that could be considered discriminatory; they must be supported by a sound justification and comply with the provisions of applicable regulations.

The BBVA Directors' Remuneration Policy **is published on the Bank's website**: www.bbva.com .

3.2. Remuneration system for non-executive directors

In accordance with the provisions of Article 33° bis of the Bylaws, the remuneration system for non-executive directors is based on the criteria of **responsibility, dedication and incompatibilities** inherent to the role that they carry out, and consists of **exclusively fixed remuneration** comprised of the following components:

Concept	Payment	Other characteristics
A. Fixed annual allocation	Monthly in cash for the position of **Board member and Committee member** and for the performance of other duties or responsibilities (such as the position of Lead Director or Deputy Chair)	Overall limit approved by the General Meeting: EUR 6 million per year See amounts received in 2021 in section 4.2 A and B below
B. Remuneration in kind	The Bank pays the corresponding premiums (healthcare and accident insurance policies) that are allocated to the directors as remuneration in kind	
C. Fixed remuneration system with deferred delivery of BBVA shares	Annual allocation of a number of "theoretical shares", with effective delivery after the director ceases to hold such office for any reason other than a serious dereliction of duties.	Allocation equal to 20% of the total annual fixed allowance in cash allocation received during the previous financial year

Amounts corresponding to the annual fixed allowance approved by the Board of Directors

Position	EUR thousand
Member of the Board of Directors	**129**
Member of the Executive Committee	**167**
Chair of the Audit Committee	**165**
Member of the Audit Committee	**66**
Chair of the Risk and Compliance Committee	**214**
Member of the Risk and Compliance Committee	**107**
Chair of the Remuneration Committee	**107**
Member of the Remuneration Committee	**43**
Chair of the Appointments and Corporate Governance Committee	**115**
Member of the Appointments and Corporate Governance Committee	**46**
Chair of the Technology and Cybersecurity Committee*	**107**
Member of the Technology and Cybersecurity Committee	**43**
Deputy Chair	**50**
Lead Director	**80**

*As of the date of this Report, the position of Chair of the Technology and Cybersecurity Committee is not remunerated as the Chairman of the Board of Directors serves in this role.

These amounts were approved by the Board of Directors on 29 May 2019, on the proposal of the Remuneration Committee, following analysis of the corresponding market comparisons, with no increases since 2007 (although they have been reallocated to adapt them to the functions of each Committee).

3.3. Remuneration system for executive directors

The **executive directors** have their own remuneration system that is defined in accordance with best market practices. Its items are set out in Article 50° bis of the Bylaws and are the same as those that are generally applicable to Senior Management.

3.3.1. Elements of the remuneration system for executive directors

Concept	Allocation criteria	Payment	Reference / Amount	Adjustments / Condition
A. Annual Fixed Remuneration ("AFR")	• Assigned duties and level of responsibility • Competitive in the market	Monthly cash payments	**Chairman:** **EUR 2,924 thousand** **Chief Executive Officer:** **EUR 2,179 thousand**	N/A
B. Benefits and remuneration in kind	In line with those granted to Senior Management	Allowances and premiums or payments made by the Bank and charged as remuneration in kind	See breakdown of amounts for 2021 in section 4.3. A. b).	N/A
C. Contribution to pension and insurance systems	As per contract and Policy (contingencies of retirement, death and disability)	At the time of the contingency (in the form of income or capital in the case of the retirement pension)	**Chairman:** Annual contribution to the **pension** of **EUR 439 thousand** plus premiums for death and disability coverage See breakdown of amounts for premiums in 2021 in section 4.3. A c).	Terms set forth in his contract and, in any case, provided that his cessation of office is not due to a serious dereliction of duties
			Chief Executive Officer: Does not have a retirement pension.. The Bank only pays death and disability coverage premiums. See breakdown of amounts for premiums in 2021 in section 4.3. A c)	N/A
D. Other fixed allowances	As per contract and Policy	Monthly payment	Chief Executive Officer: cash in lieu of pension (**30% of AFR**) and annual international mobility allowance of **EUR 600 thousand**	N/A
E. Annual Variable Remuneration ("AVR")	Results of annual performance indicators (financial and non-financial), based on pre-established targets, scales of achievement and weightings, which will be equated to the "target" AVR if 100% of the targets set are achieved.	In cash and shares (more than 50% in shares) 40% up front and 60% deferred (DAVR) for 5 years.	**Target bonus Chairman:** **EUR 3,572 thousand** **Target bonus Chief Executive Officer:** **EUR 2,672 thousand** • Scales of achievement **limited to 150%** of Target Bonus • Maximum of **200% of fixed remuneration**, as resolved by the General Meeting	• *Ex post* adjustments: result of multi-year performance indicators (downward Deferred AVR adjustments only) • *Malus* and *clawback* arrangements for 100% of the AVR • One-year withholding of shares
F. Non-competition agreement	As per contract and Policy	Monthly payment during the non-competition period, after the executive director ceases to hold such office	**2 times the AFR** (one for each year of duration of the agreement)	Terms set forth in their contracts and provided that cessation of office is not due to retirement, disability or serious dereliction of duties

In addition, in the same way as for the other members of the Identified Staff, the Policy establishes that **fixed and variable components must be appropriately balanced** in the total remuneration of executive directors.

To this end, the Directors' Remuneration Policy establishes the **theoretical relative proportion** between the **main fixed and variable components of the remuneration** of BBVA's executive directors (target ratios), taking into account both the role carried out by executive directors and their impact on the risk profile of the Group, and that this proportion is aligned with the proportions for this ratio generally established for the rest of the members of the Identified Staff:

Executive director	Position	Annual Fixed Remuneration	"Target" Annual Variable Remuneration
Carlos Torres Vila	Chairman	**45%**	**55%**
Onur Genç	Chief Executive Officer	**45%**	**55%**

The **Annual Variable Remuneration** that is ultimately awarded to each executive director in each financial year shall be calculated in accordance with the rules for the award thereof established in the Policy and shall be subject to the same vesting and payment rules applicable to the AVR of the Identified Staff described in section 2.2. above, with certain specific terms due to their status as directors. Thus, in order to align remuneration with effective risk management:

- The Upfront Portion (40%) of the AVR will vest and be paid, if the applicable conditions are met, during the first quarter of the financial year, while the remaining 60% shall be deferred for a period of 5 years —the Deferred Portion.

  *As a **new** development, the Policy approved in 2021 establishes that, if the applicable conditions are met, an amount equal to 20% of the Deferred AVR will be paid at the end of each year for each of the 5 years of deferral.*

- The Upfront Portion of the AVR will be paid in equal parts cash and BBVA shares, while 60% of the Deferred Portion will be paid in BBVA shares and the other 40% will be paid in cash.
- The Deferred Portion of the AVR may be reduced, but never increased, based on the results of pre-established Multi-year Performance Indicators.

  The Multi-Year Performance Indicators, which relate to solvency, liquidity, profitability and the creation of value, help to ensure that the remuneration system for executive directors is consistent with the Group's risk strategy and long-term performance. Following the end of the third year of deferral, the results of the Multi-year Performance Indicators will determine whether any potential ex post downward adjustments need to be made to the Deferred Portion of the AVR that remains outstanding.

- Moreover, the full amount of the Annual Variable Remuneration for executive directors will be subject to *malus* and *clawback* arrangements on the same terms as those applicable to the rest of the Identified Staff.

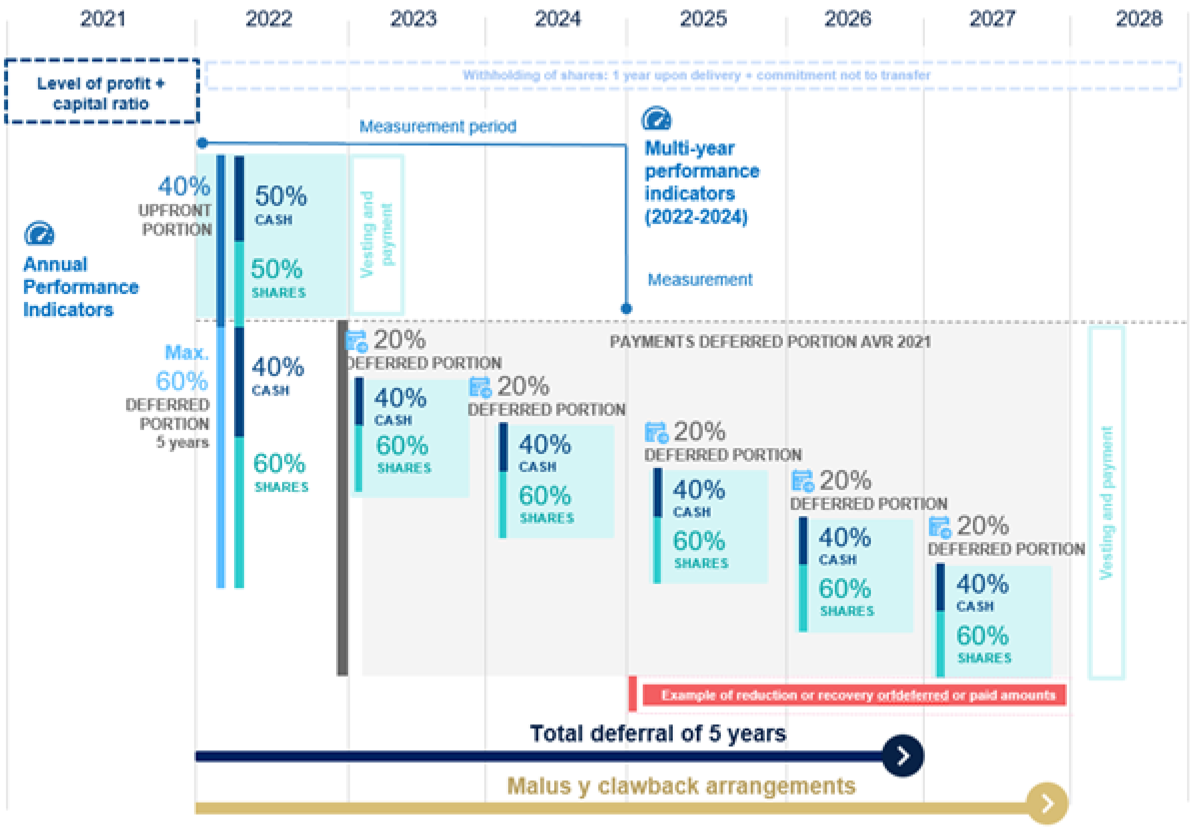
  *The application of the malus and clawback arrangements will be tied to a downturn in financial performance of the Bank as a whole or of a particular unit or area thereof or of the exposures created by an executive director, when such downturn in financial performance arises from a set of circumstances established in the Policy. In addition, as a **new** development, the Policy approved in 2021 provides that such clauses may also be applied in the event that the referenced circumstances cause significant reputational damage to the Bank, regardless of the financial impact caused.*

- The BBVA shares delivered as Annual Variable Remuneration, both for the Upfront Portion and the Deferred Portion, shall be withheld for a one-year period following delivery. The foregoing shall not apply to those shares which sale would be required to honour the payment of taxes accruing on delivery.
- The use of personal hedging strategies and insurance relating to variable remuneration and liability that could undermine the effects of alignment with prudent risk management is prohibited.
- The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the BBVA General Shareholders' Meeting resolves to increase this percentage, up to a maximum of 200%, all in accordance with the procedure and requirements set forth in applicable regulations.

In addition, the Policy includes **additional restrictions on the transferability of shares** received as variable remuneration, which have also been **modified in the Policy approved in 2021** for purposes of aligning them with the provisions of Recommendation 62 of the CNMV Code of Good Governance of Listed Companies, revised in June 2020.

Thus, executive directors **may not transfer shares** derived from the settlement of variable remuneration **until a period of at least three years has elapsed** unless the director in question maintains, at the time of the transfer, through the ownership of shares, options or other financial instruments, a net economic exposure to the variation in the prices of the shares for a **market value equal to at least twice their Annual Fixed Remuneration**. The foregoing shall not apply to the shares that the director needs to dispose of in order to cover the costs associated with the acquisition thereof or, upon favourable assessment of the Remuneration Committee, to address an extraordinary situation.

The **rules for the award, vesting and payment of the Annual Variable Remuneration of executive directors** are represented in the **graphic example** below, using the 2021 financial year as a reference:



3.3.2. Main terms and conditions of the executive directors' contracts

The remunerations and economic rights and compensations of each executive director are determined based on their level of responsibility and the duties they perform, and are competitive in comparison to those of equivalent functions at the group of main peer institutions. These terms and conditions are reflected in their respective **contracts, which are approved by the Board of Directors** on the proposal of the Remuneration Committee.

Pursuant to the Policy, the **main characteristics** of the executive directors' contracts are as follows:

- They are indefinite in duration.
- They do not establish any notice periods, minimum contract term clauses or loyalty clauses.
- They include a post-contractual non-competition clause.
- They do not contain indemnification payment commitments.
- They contain a welfare portion in view of the individual circumstances of each executive director, including appropriate insurance and pension systems.

Pension commitments assumed in favour of the executive directors

The Bank has assumed pension commitments to cover the **contingency of retirement** of the **Chairman**. These commitments have the following main characteristics, in line with those of the commitments assumed in favour of the other members of the Bank's Senior Management:

- They consist of defined-contribution systems under which the annual pension contributions made to cover the contingency of retirement are established in advance (15% of Annual Fixed Remuneration).
- They do not provide for the possibility of receiving the retirement pension in advance.
- They stipulate that 15% of the agreed annual contributions be considered "discretionary pension benefits", as set forth in applicable regulations, and therefore, they will be variable.

The Bank has not assumed any retirement commitments to the **Chief Executive Officer**, instead paying him an annual sum in cash (**cash in lieu of pension**) equal to 30% of his Annual Fixed Remuneration.

In addition, the Bank has assumed commitments in favour of both the Chairman and the Chief Executive Officer to cover the **contingencies of disability and death** on the terms set out below.

Commitments assumed in favour of the Chairman

The Directors' Remuneration Policy approved in 2021 has made **significant changes** to the Chairman's pension system:

- A significant **reduction** in the **annual contribution** made to cover the contingency of **retirement**, which has gone from EUR 1,642 thousand to **EUR 439 thousand**, thereby representing **15% of his Annual Fixed Remuneration**.
- **A reduction in coverage levels** (% of AFR) for the contingencies of **death and disability**.

Contingency of retirement

- The Chairman is entitled to a retirement pension when he reaches the retirement age established by law. The amount of this pension will be equal to the sum of the contributions made by the Bank and their corresponding yields up to this date.
- The annual agreed contribution amounts to **EUR 439 thousand** (15% of his Annual Fixed Remuneration).
- On the other hand, 15% of the annual contribution will be based on variable components and considered “discretionary pension benefits”. It will be subject to the conditions governing delivery in shares and the withholding and clawback requirements established for this type of remuneration by applicable regulations.
- The benefit may be received in the form of income or capital.
- Receipt of the benefit is conditioned on his cessation of office not being due to a serious dereliction of duties.
- If the contractual relationship is terminated before he reaches retirement age for reasons other than a serious dereliction of duties, he will remain entitled to the benefit, which will be calculated on the basis of all contributions made by the Bank up to that date plus the corresponding accumulated yield, without the Bank being required to make any additional contributions as of that date.

Contingency of disability or death

- Death while serving in his role will give rise to an entitlement to an annual widow's and orphan's pension for each of his children, until they reach the age of 25, in an amount equal to 50% and 20% (40% in the case of full orphaning), respectively, of the Annual Fixed Remuneration.
- These pensions would be paid from the total fund accumulated for the retirement pension at that time, with the Bank assuming the amount of the corresponding annual insurance premiums to complete the benefit coverage. The cumulative benefits of the widow's and orphan's pension may not exceed 150% of the Annual Fixed Remuneration.
- In the event of total or full permanent disability while serving in his role, he will be entitled to receive an annual pension equal to 60% of his Annual Fixed Remuneration.
- This pension would be paid, firstly, from the total fund accumulated for the retirement pension at that time, with the Bank assuming the amount of the corresponding annual insurance premiums to complete the benefit coverage.
- Death while subject to disability will give rise to an entitlement to an annual widow's and orphan's pension for each of his children, until they reach the age of 25, in an amount equal to 85% and 35% (40% in the case of full orphaning), respectively, of the disability pension that he had been receiving, with such reversion being limited in all cases to 150% of the disability pension itself.

In 2021, the Chairman's contract **was amended** to adapt it to the terms and conditions set forth in the Policy approved by the General Meeting in 2021, which are described in sections 3 and 4 of this Report.

Commitments assumed in favour of the Chief Executive Officer

The Bank has not assumed any retirement commitments in favour of the Chief Executive Officer, although his contract gives him the right to receive an annual sum in cash (**cash in lieu of pension**) in an amount equal to 30% of his Annual Fixed Remuneration.

Contingency of disability or death

- Death while serving in his role will give rise to an entitlement to an annual widow's and orphan's pension for each of his children, until they reach the age of 25, in an amount equal to 50% and 20% (30% in the case of full orphaning), respectively, of the Annual Fixed Remuneration for the previous 12 months, with the Bank assuming the amount of the corresponding annual insurance premiums to guarantee the benefit coverage. The cumulative benefits of the widow's and orphan's pension may not exceed 100% of the Annual Fixed Remuneration for the previous 12 months.

- In the event of total or full permanent disability while serving in his role, he will be entitled to receive an annual pension in an amount equal to 62% of his Annual Fixed Remuneration for the previous 12 months. This pension will revert to his spouse and children in the event of death in the percentages cited above but shall be limited in all cases to 100% of the disability pension, with the Bank assuming the amount of the corresponding annual insurance premiums to guarantee the benefit coverage.

Other terms and conditions of the executive directors' contracts

- **Supplemental allowances to the Chief Executive Officer's fixed remuneration**

  Moreover, in view of his status as an international executive, the Chief Executive Officer's contract provides that he is entitled to an annual cash sum as a **mobility allowance**, in line with potential commitments made in favour of other expatriate members of Senior Management, the amount of which has been set at EUR **600 thousand** per year.

- **Post-contractual non-competition clauses**

  Finally, the executive directors' contracts also include a post-contractual non-competition clause with a **duration of two years** following the cessation as BBVA executive directors, in respect of which they will receive remuneration, payable monthly, in an amount equal to their **Annual Fixed Remuneration for each year** in which the non-competition agreement remains in place, provided that their cessation as executive director is not due to their retirement, disability or serious dereliction of duties.

- **Termination of contractual relationship**

  The executive directors' contracts do not include a right to severance payments in the event of termination of the contractual relationship.

4. Results of implementation of the Policy in 2021

The Directors' Remuneration Policy in effect during the financial year last ended (2021) was that approved by the Bank's Annual General Shareholders' Meeting held on 20 April 2021. The outline and main characteristics of the Policy are set forth in section 3 above.

The way in which the Policy was implemented in 2021 is detailed below, following the procedure established for this purpose in the Policy itself and in the Regulations of the Board of Directors and the Remuneration Committee. No deviations from the same occurred during the financial year. No temporary exceptions were made to the Policy either in accordance with the procedure set forth therein, given the absence of any circumstances that would justify or advise this.

The process followed to implement the Directors' Remuneration Policy and to determine the individual remuneration of directors was led and overseen directly by the **Remuneration Committee**. During the 2021 financial year, this Committee took the actions detailed below, among others, submitting to the Board of Directors the corresponding resolutions proposals where appropriate.

4.1. Activity carried out by the Corporate Bodies in 2021

BBVA Directors' Remuneration Policy

The **Remuneration Committee** analysed the approaches put forward as regards the approval of a new Directors' Remuneration Policy in 2021, in view of, among other things, the regulatory developments that were expected to enter into force in that same financial year and market practices.

Following this analysis, the Remuneration Committee submitted the new proposed Policy, together with its corresponding report, to the **Board of Directors,** following verification by the **Risk and Compliance Committee**.

Once approved by the Board of Directors, the Policy was submitted to the **Annual General Shareholders' Meetin**g held on 20 April 2021, which approved it with a majority voting in favour (93.59%) . This Policy is **fully compliant with the modifications introduced by Act 5/2021** to article 529 novodecies of the Consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July.

Implementation, supervision and monitoring of the Directors' Remuneration Policy

During the 2021 financial year, the Remuneration Committee and the Board of Directors have carried out the necessary actions to implement, supervise and monitor the provisions of the Directors' Remuneration Policy.

To this end, the **Board of Directors** has analysed the remuneration matters pertaining to directors, approving the following resolutions, in accordance with the proposals submitted, in each case, by the **Remuneration Committee** and based on the prior analysis work, discussion and interaction carried out by this Committee with the executive level :

- **Remuneration matters for non-executive directors**

In accordance with the statutory framework and the Directors' Remuneration Policy, in application of the fixed remuneration system with deferred delivery of shares applicable to non-executive directors, the Board of Directors approved the allocation of a number of "theoretical shares" to each non-executive director beneficiary of the system, with this allocation corresponding to 20% of the total annual fixed allowance in cash received in the previous financial year.

- **Remuneration matters for executive directors**

With regard to the remuneration of executive directors, the Board of Directors, on the proposal of the Remuneration Committee:

- Noted the **waiver** by the executive directors, members of Senior Management and certain members of the Identified Staff of the accrual of **2020 Annual Variable Remuneration**, in view of the exceptional circumstances arising from the COVID-19 crisis, which, in the case of the executive directors, led to no AVR having been accrued in 2020.

- Approved the **amount** of the executive directors' **Deferred AVR from the 2017 financial year**, in light of the results of the pre-established Multi-year Performance Indicators and in application of the corresponding targets, scales and weightings approved by the Board of Directors at the time, in addition to determining the amount corresponding to the update of such AVR.

- Approved the **payment** of executive directors' Deferred AVR from the 2017 financial year scheduled for 2021, once the Audit Committee and the Appointments and Corporate Governance Committee, within the scope of their respective remits, and the Board itself, had verified that the *malus* and *clawback* clauses set out in the remuneration policies applicable to those financial years did not have to be applied.

- Approved **the amendment of the Chairman's contract** to adapt its terms and conditions to the amendments included in the new Directors' Remuneration Policy approved by the General Meeting held on 20 April 2021.

- Approved the **minimum thresholds for Attributable Profit and the Capital Ratio** to generate the 2021 AVR of executive directors in line with those applied for the rest of the BBVA staff, including Senior Management members.

- Approved the **Annual Performance Indicators for the 2021 AVR** and their respective weightings, as well as the **Multi-year Performance Indicators** corresponding to the Deferred Portion of the 2021 AVR, with the prior analysis of the Risk and Compliance Committee in the case of the latter, and with the Multi-year Performance Indicators also being applicable to the rest of the Identified Staff, including Senior Management members.

- Approved the **targets and scales of achievement** associated with the Annual Performance Indicators for the 2021 AVR of executive directors.

Finally, the Board of Directors resolved to submit to the **2021 Annual General Shareholders' Meeting**:

- The approval of a **maximum level of variable remuneration of up to 200% of the fixed component of total remuneration** applicable to a maximum of 339 members of the Identified Staff, including executive directors and Senior Management members; submitting also the corresponding report for the shareholders regarding this resolution, in accordance with the text proposed by the Remuneration Committee.

- The consultative vote on the **Annual Report on the Remuneration of BBVA Directors for the 2020** financial year, based on the text proposed by the Remuneration Committee, prepared in accordance with the provisions of CNMV Circular 4/2013 and in compliance with the provisions of Article 541 of the Spanish Corporate Enterprises Act.

For further details on the activities carried out by the Remuneration Committee in 2021, the Committee's 2021 activity report, which is available to shareholders on the Bank's website, can be consulted.

4.2. Remuneration accrued by non-executive directors in 2021

Set forth below is a breakdown of the **individual remuneration accrued by non-executive directors in 2021** through implementation of the remuneration system described in section 3.2. above:

A. 2021 Annual fixed allowance

(EUR thousand)

Non-executive directors	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	RemunerationCommittee	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	**1,673**	**667**	**431**	**642**	**278**	**301**	**171**	**130**	**4,293**

(1) Amounts received in 2021 by José Miguel Andrés Torrecillas, as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, as Lead Director.

These amounts are reflected for each non-executive director in section C.1. a) i), "Fixed remuneration" and "Remuneration for membership of board committees", of the CNMV Statistical appendix included as section 5 of this Report.

B. Remuneration in kind

During the 2021 financial year, the Bank has paid **remuneration in kind** totalling EUR 102 thousand corresponding to healthcare and accident insurance premiums for non-executive directors.

These amounts are reflected for each non-executive director in section C.1. a) i), "Other items", of the CNMV Statistical appendix included as section 5 of this Report.

BBVA Creating Opportunities

C. Fixed remuneration system with deferred delivery of BBVA shares

Non-executive directors	"Theoretical shares" allocated in 2021[1]	"Theoretical shares" accumulated as of 31/12/2021
José Miguel Andrés Torrecillas	22,860	98,772
Jaime 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) Equal to 20% of the total annual fixed allowance in cash received by each non-executive director in the previous financial year, 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 EUR 4.44 per share.

The effective delivery of a number of BBVA shares equal to the number of "theoretical shares" accumulated by each non-executive director, after they cease to hold such office, will only happen provided that this does not occur due to a serious dereliction of duties.

Without prejudice to the fact that this is not a share-based remuneration system, in order to comply with the instructions of the CNMV for the filing of the CNMV Statistical appendix included in section 5 of this Report, the "theoretical shares" allocated to non-executive directors each year have been equated to "shares", although they do not correspond to this instrument. The "theoretical shares" allocated in 2021 are included in section C.1 a) ii), "Financial instruments granted during year", of the CNMV Statistical appendix included as section 5 of this Report.

In accordance with the Policy, the Bank has not assumed any pension commitments in favour of its non-executive directors.

Year-on-year changes in remuneration accrued by non-executive directors

Total Board remuneration	2021	2020	Change
Fixed Annual Allocation	4,923	4,078	+5.27%
In kind	102	95	+7.37%

The year-on-year changes in this remuneration are due to changes in the composition of the Board and the Board committees. However, the amounts corresponding to the positions of Board member, Board committee member and Board committee chair have not been increased since 2007 (although they have been reallocated to adapt them to the functions of each Committee).

Creating Opportunities

4.3. Remuneration accrued by executive directors in 2021

In accordance with the remuneration system described in section 3.3., the breakdown of the individual remuneration accrued by the executive directors in 2021 is as follows:

A. FIXED REMUNERATION

a) 2021 Annual Fixed Remuneration

Annual Fixed Remuneration (EUR thousand)	
Chairman	**2,924**
Chief Executive Officer	**2,179**

These amounts are reflected for each executive director in section C.1. a) i), "Salary", of the CNMV Statistical appendix included as section 5 of this Report.

b) 2021 Remuneration in kind and other benefits

Executive directors are beneficiaries under accident and healthcare insurance policies taken out by the Bank, which pays the corresponding premiums, which are allocated to the directors as remuneration in kind.

The Bank also provides executive directors with other benefits that apply to the Bank's Senior Management.

Remuneration in kind and other benefits (EUR thousand)	
Chairman	**328**
Chief Executive Officer	**158**

These amounts are reflected for each executive director in section C.1. a) i), "Other items", of the CNMV Statistical appendix included as section 5 of this Report.

c) Pension system contributions in 2021

The pension-related commitments assumed in favour of the executive directors are reflected in their respective contracts, which are approved by the Board of Directors. The main terms and conditions of these contracts are outlined in section 3.3.

During the 2021 financial year, the Bank made the following contributions to cover contingencies contemplated by contract for these items:

EUR thousand

Director	Pension systems	
	Annual contribution for the contingency of retirement [1] (15% of AFR)	Funds accumulated as of 31/12/2021
Chairman	340	24,546
Chief Executive Officer	–	-

(1) Agreed annual contribution to cover the retirement contingency reduced in an amount of EUR 98 thousand corresponding to the downward adjustment of the "discretionary pension benefits" of 2020 financial year which had to be registered in the cumulative fund in 2021.

In accordance with the BBVA Directors' Remuneration Policy, 15% of the agreed annual contribution to the Chairman's retirement pension, is considered as "discretionary pension benefits", in accordance with the regulations applicable to the Bank and, therefore, will be linked to variable components, being subject to the conditions of delivery in shares, withholding and clawback provided for this kind of remuneration in the applicable regulations.

From the agreed annual contribution to pension of 2020, which, in accordance with the Policy in force in that financial year, was EUR 1,642 thousand, EUR 246 thousand were registered as "discretionary pension benefits" (which was already reported by the Bank at the end of 2020). Following the end of the 2020 financial year, this amount was adjusted using the result of the workforce's 2020 AVR (as the Chairman waived its accrual), which resulted in a downward adjustment to the pension, to be made in 2021 of EUR 98 thousand.

These amounts are reflected in section C.1. a) iii), "Savings schemes with non-vested economic rights", of the CNMV Statistical appendix included as section 5 of this Report.

As a **significant new** development, in the **2021** financial year, in accordance with the new Policy approved by the General Meeting, the **annual contribution** agreed to cover the contingency of retirement of the Chairman was substantially reduced from EUR 1,642 thousand in 2020 to **EUR 439 thousand** in 2021, now representing **15% of his Annual Fixed Remuneration**.

Similarly, as specified in section 3.3.1., pursuant to the Policy approved by the General Meeting in 2021, the coverage levels (% of AFR) for the contingencies of **death and disability** agreed with the **Chairman** were reduced.

In accordance with the Policy, the Bank has paid in 2021 annual insurance premiums to cover death and disability contingencies of an amount of EUR 574 thousand in the case of the Chairman and EUR 295 thousand in the case of the Chief Executive Officer.

d) Other fixed allowances of the Chief Executive Officer accrued in 2021

In accordance with the provisions of the Policy, the Chief Executive Officer received the following **fixed remuneration** in 2021:

- An annual cash sum in lieu of a retirement pension (**cash in lieu of pension**) amounting to EUR 654 thousand; and
- An annual cash sum as a **mobility allowance**, amounting to EUR 600 thousand per year.

These amounts are reflected in section C.1. a) (iv), "Details of other items", of the CNMV Statistical appendix included as section 5 of this Report.

e) Post-contractual non-competition agreement

No amount has been paid for this item in 2021, insofar as no executive directors have ceased to hold such office.

B. VARIABLE REMUNERATION

(a) Annual Variable Remuneration accrued in 2021 (2021 AVR)

The Directors' Remuneration Policy establishes rules for calculating the Annual Variable Remuneration that preclude the exercise of discretion, thereby preventing conflicts of interest, and ensure the alignment thereof with the Institution's business strategy and its long-term objectives, values and interests.

The Annual Variable Remuneration of each executive director, in line with the model applicable to the rest of the Group's employees, is calculated on the basis of a "Target" Annual Variable Remuneration (or Target Bonus) determined by the Board of Directors on the proposal of the Remuneration Committee, which represents the amount of the Annual Variable Remuneration in the event that 100% of the previously established targets are reached.

The **Annual Performance Indicators** established for purposes of calculating the Annual Variable Remuneration for 2021 and their weightings, were approved by the Board of Directors on the proposal of the Remuneration Committee at the beginning of 2021. These indicators are the following:

Type	2021 AVR Annual Performance Indicators		Chairman	Chief Executive Officer
			Weighting	
Financial indicators	Results	Attributable profit (excluding corporate transactions)	10%	15%
		(TBV) Tangible Book Value per share	15%	10%
	Profitability	RORC	10%	10%
	Efficiency	Efficiency ratio	10%	15%
Non-financial indicators	Customer satisfaction	NPS	10%	15%
	Sustainable development	Mobilisation of sustainable financing	10%	10%
	Transformation	Digital sales	10%	10%
		Individual indicators	25%	15%

As a **new** development, in **2021**, a **new sustainability-related indicator relating to "Mobilisation of sustainable financing"** was introduced. This indicator is linked to the Bank's strategic priority to "Help customers in the transition to a sustainable future" and is directly related to the activity conducted by the Group to fulfil its market commitments relating to climate change, with a specific weighting of 10% that reinforces the commitment of both the Chairman and the Chief Executive Officer to furthering BBVA's sustainable development objectives.

This Mobilisation of sustainable financing indicator is also one of the indicators used to calculate the Annual Variable Remuneration of all BBVA Group staff.

In the case of **individual indicators of the executive directors**, the benchmarks selected to evaluate them relate to the **specific dimensions of executive directors' responsibilities and roles**.

Performance is evaluated by the Board of Directors, on the proposal of the Remuneration Committee, based on an overall assessment that takes into account both overall performance and the evolution of the indicators used as reference. The Board of Directors also takes into account the outcome of the annual performance evaluation of the executive directors, which, in the case of the Chairman, is conducted by the Lead Director following a report from the Appointments and Corporate Governance Committee, and also incorporating the opinion of the Executive Committee, in the case of the Chief Executive Officer.

The **Chairman's** individual indicators relate to the dimensions of **Corporate Strategy and People** and include the following **objectives**:

- Strengthening BBVA's position with regard to ESG, facilitating the generation of opportunities and economic growth in the communities in which it operates, driving equality and social inclusion, and encouraging the development of sustainable production models.
- Promoting the development of advanced data analysis capabilities, along with secure, reliable technology to create high-quality, differential solutions.
- Promoting strategic measures and partnerships that create value for shareholders.
- Developing a diverse, empowered team, guided by the purpose and values of the BBVA Group.

The **Chief Executive Officer's** individual indicators relate to the dimensions of **Business Management, Operational Excellence** and **People** and include the following **objectives**:

- Promoting initiatives that ensure business growth, incorporating indicators that reflect the alignment with strategic priorities and positive performance vis-à-vis competitors.
- Providing the best customer experience through the promotion of strategic programmes, with a focus on strengthening processes, managing risks and allocating capital in an optimal manner.
- Advancing initiatives that give rise to team development opportunities across the various geographical and business areas.

Each Annual Performance Indicator[7] has an associated **target and scales of achievement** for said target, approved by the Board of Directors on the proposal of the Remuneration Committee, which, in the case of financial indicators, take into account the degree of budgetary compliance .

The amount received as Annual Variable Remuneration through the application of the corresponding scales of achievement ranges **from 0% - 150%** of the "Target" Annual Variable Remuneration, meaning that the **theoretical maximum potential AVR** of each executive director is **limited to 1.5 times their "Target" Annual Variable Remuneration**.

Link between 2021 AVR and results

As set out in section 2 above, the Annual Variable Remuneration of employees of the BBVA Group, consists of an annual incentive that is calculated on the basis of:

(i) annual performance indicators (financial and non-financial), which take into account the strategic priorities defined by the Group , as well as current and future risks.

(ii) targets established for each of the indicators with the scales of achievement that may be established according to the weighting assigned to each indicator ; and

[7] The only objectives that do not have associated scales of achievement are those established for the individual indicators as their performance is measured via an overall assessment that takes into account both overall performance and the behaviour of certain indicators used as references.

(iii) a "target" annual variable remuneration, representing the amount of the annual variable remuneration in the event that 100% of the previously established targets are reached.

The amount to be received as Annual Variable Remuneration through application of the corresponding scales of achievement may range from **0% - 150% of the "Target" Annual Variable Remuneration**. The resulting amount will constitute the Annual Variable Remuneration or Bonus of each employee.

The financial annual performance indicators are aligned with the most relevant management metrics for the Bank while the non-financial indicators are related to the strategic targets defined at the Group level, the area level and for each individual beneficiary.The targets and scales of achievement are applied to all the employees of the Group, including executive directors.

In line with the variable remuneration model for the whole workforce previously described, the results of the Annual Performance Indicators, financial and non-financial, which are also part of the remuneration scheme of executive directors, have been the following:

- During the 2021 financial year, the BBVA Group has obtained a recurring attributable profit **of EUR 5,069 million, without including the results generated, until June 2021, by BBVA USA and its subsidiaries and the costs of the restructuring plan in Spain**. The good performance, which represents an increase of 86% with respect to the 2020 financial year, is, mainly, due to a strong revenue growth, supported by the recovery of activity after the crisis caused by the COVID-19 pandemic. **The amount of profit considered for incentive purposes** has been said recurring profit, excluding, in addition, the cost savings not budgeted generated in the year by the restructuring plan in Spain, which, thus, amounts to an attributable profit of **EUR 5,028 million**. **This data of profit is the one also considered for the calculation of the rest of the financial indicators for incentive purposes.**

- The remaining financial Annual Performance Indicators — **TBV per share, RORC and the Efficiency Ratio** — also performed better in 2021 than in the previous financial year, in line, in all cases, with the established targets.

- With regard to the non-financial Annual Performance Indicators, a sustainability-related indicator — specifically, the **Mobilisation of Sustainable Financing** indicator — was included in the variable remuneration system for all employees, including executive directors, for the first time in the 2021 financial year. Thus, in 2021, the Bank mobilised a total of EUR 30,615 million for the financing of sustainable projects in the field of climate change, which similarly places the result of the indicator above the pre-established target.

- With regard to the other non-financial Annual Performance Indicators (**NPS and Digital Sales**,) their levels of attainment have been aligned with the respective targets set by the Board for the calculation of the 2021 AVR.

For the purposes of determining the degree of achievement of these indicators, following the end of the 2021 financial year, the results of each of them were compared with the previously approved targets and, depending on the degree of attainment of the same, measured against the previously established scales of achievement and taking into account the weighting associated to each indicator over the total of the "Target"Variable Remuneration, the amounts of the Annual Variable Remuneration accrued by each beneficiary during the 2021 financial year, were then determined.

The **level of achievement of the Group's indicators**, which are included in the variable remuneration scheme of all employees, has been of **122%** in 2021 financial year, based on the level of achievement of the **financial and non-financial indicators**, including those which are detailed below:

2021 AVR (measurement period 2021)					
Annual Performance Indicators	Results		Achievement level		
	2021[1]	2020[2]	Target 2021[3]		%
Attributable profit (excluding corporate transactions)	5,028 mill. €	3,084 mill. €		●	150
Tangible Book Value per share	6.55	6.15	●		97
RORC	14.03%	6.76%		●	150
Efficiency ratio	45.51%	46.82%		●	123
Customer Satisfaction (NPS)	101	107		●	101
Mobilisation of Sustainable Financing	30,615 mill. €	-		●	120
Digital sales	99	86	●		99
Individual indicators[4]					
Chairman	120	-		●	120
Chief Executive Officer	120	-		●	120

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

(2) In 2020 executive directors waived the accrual of the year's AVR. For comparative purposes, the result of the remuneration indicators for the rest of the staff is included.

(3) 2021 targets were approved at the beginning of 2021. At that time, notwithstanding 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 set targets for the calculation of 2021 AVR which were over the analysts consensus, which, in the case of Attributable Profit was set for 2021 in EUR 2,944 million.

(4) Global assessment taking into account the performance of the individual indicators mentioned above and their qualitative assessment, including, inter alia, the results of the annual performance evaluation of the executive directors.

In the case of the executive directors, **the result of individual indicators** has been determined on the basis of a global assessment, taking into account the benchmarks selected to that effect, which relate to the specific dimensions of the executive directors' responsibilities and roles. Likewise, the Board of Directors has taken into consideration the result of their performance assessment in 2021, which has been very satisfactory and in which the following issues, inter alia, have been positively assessed:

In the case of the **Chairman**:

- His leadership in the consolidation and acceleration of the **Banks' strategy and priorities**, which were reinforced by many of the global trends that were accelerated during the COVID-19 pandemic, which enables the Bank to be ready to grasp the opportunities arising from the major disruptive changes associated with digitalization and sustainability, which are impacting the financial industry and society in general.
- The promotion he has given to the strategic priority linked to **sustainability**, with the aim of integrating it into all BBVA's activities and businesses and positioning the Group as a global benchmark in this area.
- The fostering of the remaining strategic priorities of the Bank, highlighting his drive to **turn data and advanced analytics into key levers of BBVA's transformation** and his drive to accelerate **digitalization** across the Group.
- His leadership of the **growth strategy**, highlighting major strategic initiatives of the Bank led by the Chairman, as corporate transactions, the BBVA share buyback program, or other initiatives aimed at the Institution profitable growth in the long term.
- His fostering of the different initiatives to achieve **the best and most engaged team** and his leadership of the **Bank's cultural transformation and in integrating its Purpose, culture and values into all areas of the Bank's operations**, even in an especially difficult context created by the COVID-19 pandemic, in which transparency towards employees has been increased, their engagement with the Bank has grown and progress has been made on new ways of working and on a new organisational model. In this regard, it has been highlighted the good result of the Employees' Commitment Survey managed by Gallup, which has reached a mark of 4.26 points over 5 in 2021, which involves an improvement with respect to the previous year, in which the result was of 4,25 points.

In the case of the **Chief Executive Officer**:

- His role in the **management of the Group's businesses** and **drive to accelerate the execution of the strategy**, in coordination with the Chairman, highlighting his orientation to results and his ability for following-through, and monitoring in detail the Group's businesses, its core activity and results indicators, and its main financial, risk and strategic indicators, monitoring the compliance with the Bank's strategic decisions.
- His leadership in the efforts of the Group and its executive team in m**anaging the crisis caused by COVID-19** and the high uncertainty it posed during the 2021 financial year, thus **ensuring that the Bank's activities and businesses were able to continue effectively**, strengthening the monitoring and coordination of the Bank's management with the executive teams, and ensuring that the execution of the strategy in the Group's businesses could be implemented and driven forward, despite the tough environment.
- His leadership in the implementation at the Bank and the knowledge and execution by all employees of **initiatives related to values and cultural transformation**, employee engagement (highlighting the good result of the Employees' Commitment Survey managed by Gallup) and transparency, styles of leadership and professional development, diversity and inclusion, and the implementation of new ways of working.

Thus, with the 2021 **Attributable Profit and Capital Ratio thresholds** set by the Board (which constitute ***ex ante*** **adjustments** to the accrual of Annual Variable Remuneration), having been met, in accordance with the provisions of the Policy, and in view of the results of the indicators detailed above, the Board, on the proposal of the Remuneration Committee, **has determined the 2021 Annual Variable Remuneration for each executive director**, on the basis of the levels of achievement obtained for the Annual Performance Indicators in aggregate which has been of 119% in the case of the Chairman and 121% in the case of the Chief Executive Officer.

Result of 2021 AVR for executive directors

2021 AVR (EUR thousand)	
Chairman	**4,244**
Chief Executive Officer	**3,224**

The **"Target" Annual Variable Remuneration** amounts approved for 2021 were as follows: Chairman EUR 3,572 thousand and Chief Executive Officer EUR 2,672 thousand.

Variation in 2021 AVR compared to previous years

In order to make a comparison between the 2021 AVR and the AVR for previous years, it is important to take into consideration the following factors:

- In 2020, the Annual Variable Remuneration of the executive directors amounted to EUR 0, as they voluntarily waived its accrual in view of the exceptional circumstances arising from the COVID-19 crisis.

- In addition, in the case of the Chairman, the Directors' Remuneration Policy approved by the General Meeting in 2021, included the changes need to implement the transformation of his pension scheme, by virtue of which the amount of the annual contribution agreed to cover the retirement contingency was reduced from EUR 1,642 thousand (67% of Annual Fixed Remuneration) to EUR 439 thousand euros (15% of Annual Fixed Remuneration). As a result of the foregoing, the remainder of the annual contribution established in the previous policy was integrated, in part, in the Annual Fixed Remuneration and, in part, in its "Target" Annual Variable Remuneration, abiding by, in each case, the balance established in the Policy between these two components (45%-55%), with a reduction in the total amount to be transferred to them of EUR 157 thousand. Thus, the Chairman's total remuneration was reduced with respect to the figure stipulated in the previous policy, involving, in addition, an increase of the Chairman's pay at risk linked to the Institution's results.

- Additionally, in 2021, the Bank proceeded to sell its franchise in the United States, which means that the result of the "Attributable profit excluding corporate transactions" indicator obtained in 2021 is not comparable with respect to those of previous years, since there has been a significant change in the Group's scope of consolidation, as the results of BBVA USA obtained in the year are not considered in 2021 for incentive purposes.

Therefore, the result in 2021 and its effect on the AVR for this year is not comparable to that of previous years.

In comparative terms, if the results of BBVA USA in 2019 and 2020 are excluded so that the attributable result is comparable with that of 2021 and the "Target" Annual Variable Remuneration set for the Chairman in the Policy approved in 2021 under the transformation of his pension scheme is assumed in 2019 to be comparable with that of 2021, the variation would be as follows:

	2021	2020	2019	2021 vs. 2019
Attributable profit (excluding corporate transactions)[1] (€ Mill.)	5,028	2,729	4,214	**+19,3%**
Chairman AVR (€ Thousand)	4,244	0	3,790	**+12,0%**
Chief Executive Officer AVR (€ Thousand)	3,224	0	2,854	**+13,0%**

(1) Results for incentive purposes (see Section 4.3 B a) "Link between the 2021 AVR with results").

Vesting and payment rules applicable to 2021 AVR

In accordance with the rules described in section 3.3., once the amount of the Annual Variable Remuneration corresponding to 2021 has been determined:

- The **Upfront Portion** (**40% of the AVR**) will vest and be paid, if the applicable conditions are met, during the first quarter of 2022, while the Deferred Portion (60% of the AVR) will be deferred for a period of 5 years and paid, if the applicable conditions are met, at the end of each year for each of the 5 years of deferral in an amount equal to 20% of the Deferred AVR (20% in 2023, 20% in 2024, 20% in 2025, 20% in 2026 and 20% in 2027), without prejudice to the implied or express adjustments that may apply.

- The Upfront Portion **will be paid in equal parts cash and BBVA shares**, while 60% of the Deferred Portion will be paid in BBVA shares and the other 40% will be paid in cash. In accordance with the provisions of the Policy, the number of shares paid as part of both the Upfront Portion and the Deferred Portion has been calculated based on the average closing price of the BBVA share between 15 December 2021 (the year to which the AVR pertains) and 15 January 2022 (the following year), inclusive, which was EUR 5.33 per share.

As a result of the foregoing, the amounts corresponding to the Upfront Portion and the Deferred Portion of the 2021 Annual Variable Remuneration for each executive director are as follows:

Executive director	Upfront Portion: 40% 2021 AVR Payment in 2022		Deferred Portion: Maximum 60% 2021 RVA									
	Cash EUR thousand (50%)	No. of shares (50%)	Cash (40%), EUR thousand					Number of shares (60%)				
			2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
Chairman	849	159,235	204	204	204	204	204	57,325	57,325	57,325	57,325	57,325
Chief Executive Officer	645	120,977	155	155	155	155	155	43,552	43,552	43,552	43,552	43,552

The cash amounts of the Upfront Portion of the 2021 AVR are reflected for each executive director in section C.1. a) i), "Short-term variable remuneration", of the CNMV Statistical appendix included as section 5 of this Report. The number of shares corresponding to the Upfront Portion of the 2021 AVR, as well as the price used to calculate them and the gross profit taking into account the foregoing data, is reflected for each executive director in section C.1. a) ii), "Financial instruments vested during the year": "No. of shares", "Price of vested shares" and "gross profit from vested shares or financial instruments (EUR thousand)".

The 2021 Deferred AVR is subject to explicit ***ex post* adjustments** based on the results of the **2021 DAVR Multi-year Performance Indicators**, which have been approved by the Board of Directors on the proposal of the Remuneration Committee and following analysis by the Risk and Compliance Committee:

	Multi-year Performance Indicators Deferred Portion of 2021 AVR	Weighting
Capital	Common Equity Tier 1 (CET1) Fully Loaded	40%
Liquidity	Liquidity Coverage Ratio (LCR)	20%
Profitability	Return On Tangible Equity (ROTE)	30%
Creation of Value	Total Shareholder Return (TSR)	10%

These indicators are **aligned with the Group's core risk management and control metrics** and relate to capital, liquidity, profitability and the creation of value for the Group. They have associated scales of achievement such that, if the thresholds established for each of them are not met during the **measurement period spanning the first three years of deferral** (2022 - 2024), the **Deferred Portion** of the 2021 Annual Variable Remuneration that remains outstanding may be reduced, but never increased.

The performance of the TSR indicator will be measured and compared against that of the peer group approved by the Board of Directors on the proposal of the Remuneration Committee (Annex 1) over the referred three-year measurement period from 1 January 2022 to 31 December 2024.

The scale defined for the TSR indicator will determine any reduction, as the case may be, of the deferred amounts associated therewith. This will occur where, following the three-year measurement period, the result of this indicator places BBVA below the median of the peer group.

In addition, the amount of the 2021 Deferred AVR paid in shares that ultimately vests will, in any event, incorporate the implied adjustments inherent to the fluctuations in the BBVA share price.

In addition, the remaining vesting and payment rules for Annual Variable Remuneration for executive directors set forth in the Policy will apply to the 2021 Annual Variable Remuneration, which include: (i) the withholding of shares received for one year; (ii) insurance or hedging prohibitions; (iii) criteria for updating the cash portion; (iv) *malus* and *clawback* clauses for 100% of the AVR; and (v) limitation of the variable remuneration to 100% of the fixed component of the total remuneration amount, unless the General Meeting resolves to increase it up to a maximum of 200%.

(b) “Discretionary pension benefits” registered in 2021 to be contributed in 2022

Also in 2021, pursuant to the Policy, **15% of the annual contribution to cover the contingency of retirement of the Chairman**, i.e. EUR 66 thousand, was recorded in this financial year as **"discretionary pension benefits".** Following the end of the financial year, in 2022, this amount was adjusted in view of the result of the Chairman's 2021 Annual Variable Remuneration, yielding a figure of EUR 78 thousand, which represents an upwards adjustment of EUR 12 thousand with respect to the initial amount. These "discretionary pension benefits", once adjusted, will be contributed to the cumulative fund in the 2022 financial year, and will be subject to the conditions established for them in the BBVA Directors' Remuneration Policy.

(c) Deferred Annual Variable Remuneration from previous financial payable in 2022

In accordance with the remuneration policies applicable to executive directors during the **2018 and 2017**[8] financial years, in order to align remuneration with risks and long-term results, 60% of the Annual Variable Remuneration corresponding to those financial years and associated with the positions held at that time was deferred for a period of 5 years (in the case of the Chairman) and 3 years (in the case of the Chief Executive Officer) (the **2018 Deferred AVR** or **2018 DAVR** and the **2017 Deferred AVR** or **2017 DAVR**, respectively).

[8] In 2018 and 2017, the applicable policies were the BBVA Directors' Remuneration Policy approved by the the General Shareholders' Meeting held on 17 March 2017, in the case of the Chairman, and the BBVA Group Remuneration Policy, approved by the Board of Directors on 29 November 2017, in the case of the Chief Executive Officer.

2018 Deferred AVR

60% of the 2018 Annual Variable Remuneration of the Chairman and the Chief Executive Officer was deferred for a period of 5 years and 3 years, respectively, in accordance with the settlement and payment system provided for in the applicable remuneration policies:

Executive directors	Maximum amount of 2018 DAVR[1]	
	Cash (EUR thousand)	Shares
Chairman	574	180,785
Chief Executive Officer	302	61,901

(1) DAVR originally deferred. Amounts associated with previous roles as Chief Executive Officer of BBVA and *Chairman & CEO* of BBVA Compass, respectively. The exchange rate at the end of January 2021 (1.1156 USD/EUR) has been used to calculate the 2018 DAVR of the Chief Executive Officer.

Link between 2018 Deferred AVR and results

These amounts were similarly subject to *ex post* adjustments based on the results of the following **Multi-year Performance Indicators**, approved by the Board of Directors in 2018, and which would be calculated over a three-year period (2019 - 2021). The Multi-year Performance Indicators have associated scales of achievement (approved in 2019), such that a failure to effectively meet the thresholds set for each of them could cause the maximum amount of the 2018 Deferred AVR to be reduced, but never increased.

The **results obtained for each of the 2018 DAVR Multi-year Performance Indicators, and the threshold for no reduction set for each of them**, are detailed below:

2018 Deferred AVR (long-term measurement period 2019 - 2021)							
2018 DAVR Multi-year Performance Indicators	**Solvency**		**Liquidity**		**Profitability**		
	Economic Adequacy (Economic Equity/ ECR)	Fully loaded CET1	LtSCD (loan-to-stable customer deposits)	LCR (Liquidity Coverage Ratio)	(Net Margin - Loan-Loss Provisions)/Average Total Assets	ROE (Return on Equity)	TSR (Total Shareholder Return)
Weighting	20%	20%	10%	10%	10%	20%	10%
Threshold for no reduction	≥ 100%	≥ 9.48%	≤ 140%	≥ 106%	≥ 0.20%	≥ 1.0%	1st to 8th
Result	152%	11.97%	104%	147%	1.18%	8.7%	9th
% reduction	0%	0%	0%	0%	0%	0%	1%

With respect to the **TSR indicator**, which tracks total returns for shareholders, BBVA's performance was compared to that of the peer group approved by the Board of Directors in 2019 and set forth in Annex 2 over the three-year period from 1 January 2019 to 31 December 2021, with **BBVA placing 9th**.

BBVA's position in ranking	Percentage reduction of deferred amounts
1st to 8th	0%
9th	10%
10th	20%
11th	30%
12th	40%
13th	50%
14th	60%
15th	80%
16th	100%

In view of the results of the Multi-year Performance Indicators for the 2018 Deferred AVR measured from 2019 - 2021, the amount of the 2018 DAVR has been reduced by 1%.

2018 Deferred AVR payable in 2022

2018 Deferred AVR (EUR thousand and shares)										
Executive directors	Maximum amount of 2018 DAVR		Reduction (*ex post* adjustments)		Final amount of 2018 DAVR		Amount of 2018 DAVR to be paid in 2022[1]		Amount of 2018 DAVR to be paid each year in 2023 and 2024	
	Cash	Shares	Cash	Shares	Cash	Shares	Cash[2]	Shares	Cash	Shares
Chairman	574	180,785	-1%	-1%	569	178,977	341	107,386	114	35,795
Chief Executive Officer	302	61,901	-1%	-1%	299	61,282	299	61,282	-	-

(1) Relates to the **first payment** (60%) in the case of the **Chairman** (with 20% scheduled to be paid in 2023 and the remaining 20% scheduled to be paid in 2024) and **the entire payment** in the case of the **Chief Executive Officer,** in view of the deferral periods and payment schedules established in the remuneration policies applicable to each of them in 2018. The January 2022 closing exchange rate was used to calculate the Chief Executive Officer`s 2018 deferred AVR in euros (USD/EUR 1.1156).

(2) This amount will be updated through application of the year-on-year CPI in the amount of EUR 23 thousand in the case of the Chairman and EUR 33 thousand in the case of the Chief Executive Officer.

In accordance with the CNMV instructions to complete the CNMV Statistical appendix included in section 5 of this Report, the cash amount of the 2018 DAVR to be paid in 2022 is reflected in section C.1. a) i), "Long-term variable remuneration", of the said CNMV Statistical appendix. Likewise, the number of shares corresponding to the 2018 DAVR to be delivered in 2022 is reflected in section C.1. a) ii), "Financial instruments vested during the year": "No. of shares". The foregoing, also pursuant to the CNMV instructions for completion of this Report.

In addition, the portion in shares of the 2018 Deferred AVR due for delivery in 2022 incorporates **alignment with shareholder interests and share value.** Thus, the price used to determine the number of shares of the Deferred Portion of the 2018 AVR which, in accordance with the policies applicable during that year, was the average closing price of the BBVA share corresponding to the trading sessions between 15 December 2018 and 15 January 2019, which was **EUR 4.77 per share**. However, the executive directors will receive the shares at market price on the date of delivery of this remuneration. For information purposes (as these shares have not yet been delivered to their beneficiaries), the price used to estimate the gross profit of the shares corresponding to the Deferred Portion of the 2018 DAVR whose delivery corresponds in 2022[9] was the average closing price of the BBVA share corresponding to the stock exchange sessions between 15 December 2021 and 15 January 2022, which was EUR 5.33 per share.

2017 Deferred AVR

In accordance with the provisions of the remuneration policies applicable to executive directors, the **2017 Deferred AVR** was subject to *ex post* adjustments based on the result of a series of Multi-Year Performance Indicators, approved by the Board of Directors in 2017, whose result was **calculated at the beginning of 2021** over a 3-year measurement period (2018-2020), verifying that, as all of them had reached their respective thresholds, it was **not appropriate to apply any reduction to the 2017 Deferred AVR**:

2017 Deferred AVR (long-term measurement period: 2018 - 2020)							
2017 DAVR Multi-year Performance Indicators	Solvency		Liquidity		Profitability		
	Economic Adequacy (Economic Equity/ ECR)	Fully loaded CET1	LtSCD (loan-to-stable customer deposits)	LCR (Liquidity Coverage Ratio)	(Net Margin/Average Total Assets) - (Cost of Risk/Average Total Assets)	ROE (Return on Equity)	TSR (Total Shareholder Return)
Weighting	20%	20%	10%	10%	10%	20%	10%
Threshold for no reduction	≥100%	≥9.35%	≤145.0%	≥99.50%	≥0.25%	≥2.5%	1st to 8th
Result	149.6%	11.32%	105.3%	135%	1.10%	7.3%	7th
% reduction	0%	0%	0%	0%	0%	0%	0%

The foregoing was disclosed in the Annual Report on the Remuneration of Directors corresponding to the 2020 financial year, which is available to shareholders on the Bank's website[10].

In the case of the **Chairman, the payment of 40% of the Deferred AVR 2017** is pending; of which the **second payment (20%)**, in cash and in shares, falls due **in 2022**, and the third one in 2023 (remaining 20%).

[9] This is indicated in the CNMV Statistical appendix included in section 5 of this Report.
[10] www.bbva.com

2017 Deferred AVR payable in 2022

Chairman's 2017 Deferred AVR, (EUR thousand and shares)							
Maximum amount of 2017 DAVR		Amount of 2017 DAVR paid in 2021 (60%)		Amount of 2017 DAVR to be paid in 2022 (second payment 20%)		Amount of 2017 DAVR to be paid in 2023 (third payment 20%)	
Cash	Shares	Cash[1]	Shares	Cash[2]	Shares	Cash	Shares
675	139,488	405	83,692	**135**	**27,898**	135	27,898

(1) Amount updated in 2021 through application of the CPI in the amount of EUR 6 thousand.

(2) Amount that will be updated in 2022 through application of the CPI in the amount of EUR 11 thousand.

In accordance with the CNMV instructions to complete the CNMV Statistical appendix included in section 5 of this Report, the cash amount of the 2017 DAVR to be paid in 2022 is reflected in section C.1. a) i), "Long-term variable remuneration", of the CNMV Statistical appendix. Likewise, the number of shares corresponding to the 2017 DAVR to be delivered in 2022 is reflected in section C.1. a) ii), "Financial instruments vested during the year": "No. of shares''. The foregoing, also pursuant to the CNMV instructions for completion of this Report.

Likewise, the share portion of the 2017 Deferred AVR whose delivery falls due in 2022, incorporates **alignment with the interests of the shareholders and with the value of the share,** since the price used to determine the number of shares of the 2017 Deferred AVR Portion (in 2018) was the average closing price of the BBVA share corresponding to the stock market sessions between December 15, 2017 and January 15, 2018, which was **EUR 7.25 per share**. However, the Chairman will receive the shares at market price on the date of delivery of this remuneration. For information purposes, (as these have not yet been delivered) the price used to estimate the gross profit of the shares corresponding to the Deferred Part of the 2017 DAVR whose delivery corresponds in 2022[11] was the average closing price of the BBVA share corresponding to the stock exchange sessions between 15 December 2021 and 15 January 2022, which was **EUR 5.33 per share**.

Summary of Deferred AVR from previous financial years pending payment as of the end of 2021

Director	DAVR 2017		DAVR 2018			DAVR 2019		
Chairman	2022 (20%)	2023 (20%)	2022 (60%)	2023 (20%)	2024 (20%)	2023 (60%)	2024 (20%)	2025 (20%)
Chief Executive Officer	-	-	2022 (100%)	-	-	2023 (60%)	2024 (20%)	2025 (20%)

There are no deferred amounts corresponding to the 2020 AVR given that its amount was **EUR 0** as a result of the executive directors' waiver of its accrual in view of the exceptional circumstances arising from the COVID-19 crisis.

11 This is indicated in the CNMV statistical appendix included in section 5 of this Report.

4.4. Change over time of directors' remuneration, average employee remuneration and the Institution’s results

Circular 3/2021, of 28 September, of the CNMV, which modifies Circular 4/2013 of the CNMV, in line with the change introduced by Act 5/2021, of 12 April, in article 541 of the Corporate Enterprises Act, includes, as a new development, the inclusion in this Report of the table included in section C.2 of the CNMV Statistical Appendix (section 5 of this Report), which reflects the evolution over the last 5 years of the remuneration earned by each BBVA director, as well as the results and average remuneration of the Group's workforce.

For the purposes of the table included in section C.2 of the CNMV Statistical Appendix, for greater transparency and a better understanding, the data on the average remuneration of BBVA, S.A. employees in Spain, which is where the Bank has its registered office and headquarters, are also provided below. The BBVA Group is an international financial group with a broad geographical diversification, with a presence in many emerging countries, mainly in Latin America and South America, where remuneration is adapted to the local cost of living and, therefore, is lower than that received in Spain, which is the place where the directors of BBVA, S.A. perform their duties and carry out their functions.

The comparison between the remuneration of the directors of BBVA, S.A. which is the subject of this Report, and the average remuneration of the workforce, is therefore distorted if the average remuneration of the employees of the BBVA Group (at the consolidated level) is taken into account, since these are not comparable figures due to the geographical diversification of the Group.

For the purposes of this table, the executive directors remunerations include all fixed remuneration paid and all variable remuneration vested in the financial year. In particular, in 2021, the amount specified includes, on one hand, the Annual Fixed Remuneration and the remuneration in kind paid to executive directors, as well as the amounts corresponding to the commitments assumed in favour of the Chief Executive Officer, and, on the other hand, Annual Variable Remuneration vested as at the date of this Report, which includes: (i) 2021 AVR Upfront Portion (40% of total 2021 AVR); (ii) Deferred 2018 AVR payable in 2022 (60% of 2018 DAVR in the case of the Chairman and the entire 2018 DAVR in the case of the Chief Executive Officer), as well as the update of its amounts in cash pursuant to CPI; and (iii) the second payment of 2017 Deferred AVR payable to the Chairman in 2022 (20% of 2017 DVAR), as well as the update of portion in cash pursuant to CPI.

	Total amounts accrued (EUR thousand) and % annual variation								
	2021	% Var 2021/2020	2020	% Var 2020/2019	2019	% Var 2019/2018	2018	% Var 2018/2017	2017
Director remuneration (EUR thousand)									
Executive directors									
Carlos Torres Vila	6,181	79.84	3,437	-31.44	5,013	18.99	4,213	-13.95	4,896
Onur Genç	5,540	37.26	4,036	-19.04	4,985	0.00	0	0.00	0
External directors									
José Miguel Andrés Torrecillas	535	3.88	515	5.10	490	-0.61	493	6.71	462
Jaime Caruana Lacorte	568	0.00	568	7.78	527	122.36	237	0.00	0
Raúl Galamba de Oliveira	279	32.86	210	0.00	0	0.00	0	0.00	0
Belén Garijo López	363	0.55	361	-0.28	362	6.47	340	16.44	292
Sunir Kumar Kapoor	172	0.00	172	0.00	172	0.00	172	0.00	172
Lourdes Máiz Carro	257	0.39	256	-4.12	267	-10.40	298	6.81	279
José Maldonado Ramos	358	0.28	357	0.85	354	-12.38	404	-1.94	412
Ana Peralta Moreno	246	0.00	246	-0.40	247	68.03	147	0.00	0
Juan Pi Llorens	531	0.76	527	3.94	507	7.64	471	10.56	426
Ana Revenga Shanklin	236	40.48	168	0.00	0	0.00	0	0.00	0
Susana Rodríguez Vidarte	465	0.22	464	0.65	461	0.88	457	0.22	456
Carlos Salazar Lomelín	273	3.41	264	0.00	0	0.00	0	0.00	0
Jan Verplancke	215	6.97	201	16.86	172	30.30	132	0.00	0
Consolidated results (EUR thousand)[1]	7,246,568	38.09	5,247,609	-17.99	6,398,491	-24.24	8,446,248	21.86	6,930,961
BBVA average remuneration of employees (EUR thousand)	73	12.31	65	-7.14	70	2.94	68	0,00	68

(1) Profit before tax of the consolidated financial statements for each year.

(2) Ratio between the figure for remuneration accrued by staff for each financial year (excluding the remuneration of directors) and the weighted average number of employees (excluding the directors) calculated on a full-time equivalent basis. In calculating this ratio, employees who had been employees of BBVA, S.A. at some time during the year were included.

4.5. Other matters relating to the 2021 financial year

A. Payments for the termination of the contractual relationship

The Bank has undertaken no commitments to pay indemnities to its directors for the termination of the contractual relationship, nor has the Bank made any other commitments to make payments resulting from the early cessation of their positions, other than the provisions of this Report.

The directors did not accrue or receive any payment of this kind during the financial year last ended.

B. Loans, advances and guarantees

The directors have not accrued any remuneration in the form of or resulting from advances, loans or guarantees in 2021.

C. Application of *malus* and *clawback* arrangements in 2021

The Policy establishes mechanisms to reduce or recover up to 100% of the Annual Variable Remuneration of each executive director, through *malus* and *clawback* clauses, on the same terms as those applicable to the rest of the Identified Staff. These clauses are set out in the BBVA Directors' Remuneration Policy published on the website.

In the 2021 financial year, the variable remuneration of executive directors was not reduced or clawed back.

D. Remuneration paid by other Group companies

In 2021, the non-executive director Carlos Salazar Lomelín has accrued an amount of EUR 101 thousand in per diems for his membership of the management body of BBVA Bancomer, S.A. de C.V. ("BBVA México") and Grupo Financiero BBVA México, S.A. de C.V. ("GFBBVA México") and for his membership to the strategy forum of BBVA México.

This amount is reflected in section C.1. b) i) "Remuneration of directors of the listed company for seats on the boards of other subsidiary companies i) Remuneration accrued in cash ", of the CNMV Statistical appendix included as section 5 of this Report.

In addition, in 2021, the Board of Directors of BBVA authorised the granting by BBVA México of a credit risk transaction in favour of the non-executive director Carlos Salazar Lomelín, of an amount of EUR 909 thousand[12], which does not constitute remuneration to the director given that it was granted under market conditions and no preferential treatment as a result of his status as a director was given. For this reason, it is not included in the CNMV statistical appendix included in section 5 of this Report.

There are no remuneration items other than those described in the preceding paragraphs, nor have any directors accrued any additional, supplementary or different remuneration in the financial year last ended other than those indicated in this Report.

[12] For the calculation in euros the closing exchange rate of December 2021 has been used (23.1438 PMX/€).

5. CNMV Statistical appendix

B. Overall summary of how the Remuneration Policy was applied during the year last ended

B.4 Report on the result of the consultative vote at the General Meeting on the annual report on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:

	Number	% of total
Votes cast	4,514,702,907	100

	Number	% of votes cast
Votes against	304,177,486	6.73
Votes in favour	4,136,049,257	91.61
Blank ballots	0	0.00
Abstentions	74,476,164	1.64

Repeatedly, a very significant proportion of BBVA shareholders have shown support as regards the remuneration matters submitted by the Board of Directors on the proposal of the Remuneration Committee. In particular, at the General Shareholders' Meeting held on 20 April 2021, **91.61%** of votes were in favour of the Annual Report on the Remuneration of Directors for the 2020 financial year.

C. Itemised individual remuneration accrued by each director

Executive directors	Type	Period of accrual in year 2021
Carlos Torres Vila	Executive Chairman	01/01/2021 to 31/12/2021
Onur Genç	Chief Executive Officer	01/01/2021 to 31/12/2021
José Miguel Andrés Torrecillas	Independent Deputy Chair	01/01/2021 to 31/12/2021
Jaime Félix Caruana Lacorte	Independent director	01/01/2021 to 31/12/2021
Raúl Catarino Galamba de Oliveira	Independent director	01/01/2021 to 31/12/2021
Belén Garijo López	Independent director	01/01/2021 to 31/12/2021
Sunir Kumar Kapoor	Independent director	01/01/2021 to 31/12/2021
Lourdes Máiz Carro	Independent director	01/01/2021 to 31/12/2021
José Maldonado Ramos	Other external director	01/01/2021 to 31/12/2021
Ana Cristina Peralta Moreno	Independent director	01/01/2021 to 31/12/2021
Juan Pi Llorens	Lead Director	01/01/2021 to 31/12/2021
Ana Leonor Revenga Shanklin	Independent director	01/01/2021 to 31/12/2021
Susana Rodríguez Vidarte	Other external director	01/01/2021 to 31/12/2021
Carlos Vicente Salazar Lomelín	Other external director	01/01/2021 to 31/12/2021
Jan Paul Marie Francis Verplancke	Independent director	01/01/2021 to 31/12/2021

C.1 Complete the following tables regarding the individual remuneration of each director (including remuneration received for performing executive duties) accrued during the year.

a) Remuneration of the company that is the subject of this report:

i) Remuneration accrued in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2021	Total year 2020
Carlos Torres Vila				2,924	849	510		328	4,611	3,092
Onur Genç				2,179	645	332		158	3,314	2,618
José Miguel Andrés Torrecillas	179		348					8	535	515
Jaime Félix Caruana Lacorte	129		439						568	568
Raúl Catarino Galamba de Oliveira	129		150						279	210
Belén Garijo López	129		220					14	363	361
Sunir Kumar Kapoor	129		43						172	172
Lourdes Máiz Carro	129		109					19	257	256
José Maldonado Ramos	129		213					16	358	357
Ana Cristina Peralta Moreno	129		109					8	246	246
Juan Pi Llorens	209		303					19	531	527
Ana Leonor Revenga Shanklin	129		107						236	168
Susana Rodríguez Vidarte	129		320					16	465	464
Carlos Vicente Salazar Lomelín	129		43						172	126
Jan Paul Marie Francis Verplancke	129		86						215	201

The figures included in this table may reflect insignificant variations with respect to other public documents containing information on the remuneration of BBVA directors due to the need to complete this Report using figures in thousands of euros.

In accordance with the CNMV's instructions for completing this Report, the amounts included in the "Short-term variable remuneration" and "Long-term variable remuneration" cells for executive directors correspond to:

- Short-term variable remuneration: Upfront Portion of the 2021 AVR (40%) in cash, the payment of which is due in 2022.
- Long-term variable remuneration: (i) in the case of the Chairman and Chief Executive Officer, the Deferred Portion of the 2018 DAVR in cash, the payment of which is due in 2022 (60% of the 2018 DAVR in the case of the Chairman and all 2018 DAVR in the case of the Chief Executive Officer), including its update in accordance with the year-on-year CPI; (ii) in the case of the Chairman, the second payment of the Deferred Portion of the 2017 DAVR in cash, which falls due in 2022 (20% of 2017 DAVR), including its update in accordance with the year-on-year CPI.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of plan	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments expired but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/ vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
Carlos Torres Vila	Upfront Portion of 2021 AVR in shares					159,235	159,235	5.33	849		159,235	159,235
	2018 DAVR in shares					107,386	107,386	5.33	572		107,386	107,386
	2017 DAVR in shares					27,898	27,898	5.33	149		27,898	27,898
Onur Genç	Upfront Portion of 2021 AVR in shares					120,977	120,977	5.33	645		120,977	120,977
	2018 DAVR in shares					61,282	61,282	5.33	327		61,282	61,282
José Miguel Andrés Torrecillas	Fixed remuneration system with deferred delivery of shares	75,912	75,912	22,860	22,860			0,00				
Jaime Félix Caruana Lacorte	Fixed remuneration system with deferred delivery of shares	31,387	31,387	25,585	25,585			0,00				
Raúl Catarino Galamba de Oliveira	Fixed remuneration system with deferred delivery of shares			9,500	9,500			0,00				
Belén Garijo López	Fixed remuneration system with deferred delivery of shares	62,126	62,126	15,722	15,722			0,00				
Sunir Kumar Kapoor	Fixed remuneration system with deferred delivery of shares	22,915	22,915	7,737	7,737			0,00				

This English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish original shall prevail.

Lourdes Máiz Carro	Fixed remuneration system with deferred delivery of shares	44,929	44,929	10,731	10,731			0,00				
José Maldonado Ramos	Fixed remuneration system with deferred delivery of shares	108,568	108,568	15,416	15,416			0,00				
Ana Cristina Peralta Moreno	Fixed remuneration system with deferred delivery of shares	15,665	15,665	10,731	10,731			0,00				
Juan Pi Llorens	Fixed remuneration system with deferred delivery of shares	92,817	92,817	23,079	23,079			0,00				
Ana Leonor Revenga Shanklin	Fixed remuneration system with deferred delivery of shares			7,568	7,568			0,00				
Susana Rodríguez Vidarte	Fixed remuneration system with deferred delivery of shares	141,138	141,138	20,237	20,237			0,00				
Carlos Vicente Salazar Lomelín	Fixed remuneration system with deferred delivery of shares			5,642	5,642			0,00				
Jan Paul Marie Francis Verplancke	Fixed remuneration system with deferred delivery of shares	12,392	12,392	9,024	9,024			0,00				

In accordance with the CNMV's instructions for completing this Report, the amounts included in the "Financial instruments vested during the year" cell for the **executive directors** correspond to:

- Short-term variable remuneration: Upfront Portion of the 2021 AVR (40%) in shares (monetised), the payment of which is due in 2022.

  Since these shares have not been delivered to their beneficiaries, for the purpose of calculating their cash value, the same average price has been used as the one used to calculate the share portion of the 2021 AVR. Thus, the average closing price of the BBVA share corresponding to the trading sessions between 15 December 2021 and 15 January 2022 has been taken as a reference, which has been EUR 5.33 per share.

- Long-term variable remuneration: (i) in the case of the Chairman and the Chief Executive Officer, the Deferred Portion of the 2018 DAVR in shares (monetised), the payment of which is due in 2022 (60% of the 2018 DAVR in the case of the Chairman and all 2018 DAVR in the case of the Chief Executive Officer); and (ii) in the case of the Chairman, the second payment of the Deferred Portion of the 2017 DAVR in shares (monetised), which is due in 2022 (20% of the 2017 DAVR).

  Since these shares have not been delivered to their beneficiaries, for the purpose of calculating their cash value, the same average price has been used as the one used to calculate the share portion of the 2021 AVR. Thus, the average closing price of the BBVA share corresponding to the trading sessions between 15 December 2021 and 15 January 2022 has been taken as a reference, which has been EUR 5.33 per share.

  The price initially used to determine the number of shares corresponding to the Deferred Portion of the 2018 and 2017 AVR, in accordance with the policies applicable in those financial years, was the average closing price of the BBVA share from the trading sessions between 15 December 2018 and 15 January 2019 and between 15 December 2017 and 15 January 2018 , respectively. In the case of 2018 DAVR, this was EUR 4.77 per share, and in the case of 2017 DAVR, this was EUR 7.25 per share.

In relation to **non-executive directors,** the figures included in the "Financial instruments at start of year 2021" cell correspond to the "theoretical shares" which, in accordance with the Fixed remuneration system with deferred delivery of BBVA shares, as set out in sections 3.1. and 4.2. of this Report, were accumulated at the beginning of the 2021 financial year. However, these "theoretical shares" do not constitute a financial instrument, they are not listed on any market, and they are not available to directors.

The "Financial instruments granted during year 2021" cell includes the "theoretical shares" allocated to each of them in that financial year (equivalent to 20% of the total annual fixed allowance in cash received by each of them in 2020). These "theoretical shares" have not been delivered since, in accordance with the provisions of the Policy, they will only be delivered following cessation as director for any reason other than a serious dereliction of duties.

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iii) Long-term savings schemes

	Remuneration from vesting of rights to savings schemes
No data	

Name	Contribution for the year by the company (EUR thousand)				Amount of accumulated funds (EUR thousand)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Year 2021		Year 2020	
	Year 2021	Year 2020	Year 2021	Year 2020	Schemes with vested economic rights	Schemes with non-vested economic rights	Schemes with vested economic rights	Schemes with non-vested economic rights
Carlos Torres Vila			914	2,034		24,546		23,057
Onur Genç			295	253				

Contributions registered to fulfil pension-related commitments assumed in favour of executive directors in 2021 are included. For the Chairman, these contributions correspond to the sum of the annual contribution to the retirement pension, once deducted the adjustment made to the "discretionary pension benefits" for the 2020 financial year to be registered in the 2021 financial year (following the close of the 2020 financial year) and the premiums to cover the contingencies of death and disability. For the Chief Executive Officer, the contributions registered correspond exclusively to the premiums to cover the contingencies of death and disability, given that, in his case, the Bank has not undertaken any commitments to cover the contingency of retirement.

iv) Details of other items (

Name	Concept	Amount of remuneration
Onur Genç	Mobility allowance	600
Onur Genç	Fixed "*cash in lieu of pension*" allowance	654

This remuneration corresponds to the commitments undertaken with the Chief Executive Officer as set out in the Policy, concerning the payment of an annual cash sum in lieu of the provision of a contribution to cover the contingency of retirement (cash in lieu of pension), of an amount equivalent to 30% of the Annual Fixed Remuneration in force at any given time; and an annual cash amount for the mobility allowance.

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b) Remuneration of directors of the listed company for seats on the boards of other subsidiary companies:

i) Remuneration accrued in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2021	Total year 2020
Carlos Salazar Lomelín		101							101	138

These remunerations correspond to attendance fees to the meetings of the board of directors of BBVA Bancomer, S.A. de C.V. and Grupo Financiero BBVA México, S.A. de C.V., as well to the strategic forum of BBVA Bancomer, S.A. de C.V. during 2020 and 2021 financial years. For its conversion to euros the average exchange rate (PMX/EUR) of 2020 (0.04076) and 2021 (0.04169), respectively, has been applied.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of plan	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments expired but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/ vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

iii) Long-term savings schemes

	Remuneration from vesting of rights to savings schemes
No data	0

Name	Contribution for the year by the company (EUR thousand)				Amount of accumulated funds (EUR thousand)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Year 2021		Year 2020	
	Year 2021	Year 2020	Year 2021	Year 2020	Schemes with vested economic rights	Schemes with non-vested economic rights	Schemes with vested economic rights	Schemes with non-vested economic rights
No data								

iv) Details of other items

Name	Concept	Amount of remuneration
No data		

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c) Summary of remuneration (EUR thousand):

The summary of amounts corresponding to all remuneration items accrued by the director included in this report should be included, in EUR thousand.

	Remuneration accrued in the Company					Remuneration accrued in group companies					
Name	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2021 company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2021 group	Total in year 2021 company + group
Carlos Torres Vila	4,611	1,570			6,181						6,181
Onur Genç	3,314	972		1,254	5,540						5,540
José Miguel Andrés Torrecillas	535				535						535
Jaime Félix Caruana Lacorte	568				568						568
Raúl Catarino Galamba de Oliveira	279				279						279
Belén Garijo López	363				363						363
Sunir Kumar Kapoor	172				172						172
Lourdes Máiz Carro	257				257						257
José Maldonado Ramos	358				358						358
Ana Cristina Peralta Moreno	246				246						246
Juan Pi Llorens	531				531						531
Ana Leonor Revenga Shanklin	236				236						236
Susana Rodríguez Vidarte	465				465						465
Carlos Vicente Salazar Lomelín	172				172	101				101	273
Jan Paul Marie Francis Verplancke	215				215						215
Total	**12,322**	**2,542**		**1,254**	**16,118**	**101**				**101**	**16,219**

C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued (EUR thousand) and % annual variation								
	Year 2021	% variation 2021/2020	Year 2020	% variation 2020/2019	Year 2019	% variation 2019/2018	Year 2018	% variation 2018/2017	Year 2017
Executive directors									
Carlos Torres Vila	6,181	79.84	3,437	-31.44	5,013	18.99	4,213	-13.95	4,896
Onur Genç	5,540	37.26	4,036	-19.04	4,985	0.00	0	0.00	0
External directors									
José Miguel Andrés Torrecillas	535	3.88	515	5.10	490	-0.61	493	6.71	462
Jaime Félix Caruana Lacorte	568	0.00	568	7.78	527	122.36	237	0.00	0
Raúl Catarino Galamba de Oliveira	279	32.86	210	0.00	0	0.00	0	000	0
Belén Garijo López	363	0.55	361	-0.28	362	6.47	340	16.44	292
Sunir Kumar Kapoor	172	0.00	172	0.00	172	0.00	172	0.00	172
Lourdes Máiz Carro	257	0.39	256	-4.12	267	-10.40	298	6.81	279
José Maldonado Ramos	358	0.28	357	0.85	354	-12.38	404	-1.94	412
Ana Cristina Peralta Moreno	246	0.00	246	-0.40	247	68.03	147	0.00	0
Juan Pi Llorens	531	0.76	527	3.94	507	7.64	471	10.56	426
Ana Leonor Revenga Shanklin	236	40.48	168	0.00	0	0.00	0	0.00	0
Susana Rodríguez Vidarte	465	0.22	464	0.65	461	0.88	457	0.22	456
Carlos Vicente Salazar Lomelín	273	3.41	264	0.00	0	0.00	0	0.00	0
Jan Paul Marie Francis Verplancke	215	6.97	201	16.86	172	30.30	132	0.00	0
Company consolidated results	7,246,568	38.09	5,247,609	-17.99	6,398,491	-24.24	8,446,248	21.86	6,930,961
Average remuneration of employees	34	17.24	29	-25.64	39	5.41	37	-5.13	39

In accordance with the CNMV's instructions for completion of this Report, the following is included:

- In the **"Director remuneration"** cells, the total remuneration received from the Company has been recorded for each financial year, together with that received from its subsidiary companies, i.e. the total in table C.1. c) of this section. This leads to a difference, in terms of comparability, between the remuneration of executive directors and the average remuneration of employees. The average remuneration of employees has been calculated, in accordance with the CNMV Instructions for the completion of this Report, taking into consideration the full amount of the AVR for each year (without considering the deferral of a portion of that remuneration, in the case of some employees), while the remuneration of executive directors has been calculated taking into consideration the amount of the vested AVR for each year (only the Upfront Portion of the AVR for the last year ended, the payment of which falls due the following year) and the vested deferred AVR for previous years.

- Significant variations in the remuneration of directors arise from the following factors:

  - In the case of the increase in the remuneration of **executive directors** between 2020 and 2021, the variation is due to the fact that in 2020 the executive directors did not accrue AVR as a result of their voluntary waiver due to the exceptional circumstances arising from the COVID-19 crisis. Moreover, in the case of the Chairman, the variation reflects the transformation of his pension scheme by virtue of the new Directors' Remuneration Policy, which implied the reduction of the pension contribution and the redistribution of the corresponding amount between Annual Fixed Remuneration and "Target" Annual Variable Remuneration items.

  - In the case of the variation in the remuneration of executive directors between 2020 and 2019, the variation is also due to the waiver in 2020 of the 2020 AVR.

  - In the case of the change in the remuneration of **non-executive directors** between the 2019 and 2018 financial years, the variation arises from the changes introduced to the Bank's Corporate Governance System in 2019, coming as a result of the establishment of a fixed remuneration for the roles of Deputy Chair and Lead Director and the reorganisation of the functions of some of the Board Committees, as well as changes in their composition. In particular, in the case of the non-executive director Jaime Caruana Lacorte, the change is due to his appointment as Chair of the Audit Committee in 2019.

  - In the case of the variations in the remuneration of the non-executive directors Raul Galamba de Oliveira, Ana Revenga Shanklin and Carlos Salazar Lomelín between 2020 and 2021, these are due to the fact that they were appointed at the General Meeting in 2020 and, consequently, in that year, they did not hold office for the full year.

- The **"Company results"** cell includes profit before tax in the drafted and audited **consolidated** annual financial statements for each financial year.

- In the **"Average employee remuneration"** cell, the average remuneration of employees calculated as the ratio between the figure for remuneration accrued by staff for each financial year (excluding the remuneration of directors) and the weighted average number of employees (excluding the directors) calculated on a full-time equivalent basis. All employees who have been employees of the Company or any of its subsidiary companies (BBVA Group) at any time during each financial year have been included in the calculation of this ratio.

For greater transparency and a better understanding, Section 4.4.of this Report also provides data on the average remuneration of BBVA, S.A. employees in Spain (which in 2021 was of EUR 73 thousand), which is where the Company has its registered office and headquarters. The BBVA Group is an international financial group with a broad geographical diversification, with a presence in many emerging countries, mainly in Latin America and South America, where remuneration is adapted to the local cost of living and, therefore, is lower than that received in Spain, where the directors of BBVA, S.A. perform their duties and carry out their functions. The comparison between the remuneration of the directors of BBVA, S.A., which is the subject of this Report, and the average remuneration of the workforce, is therefore distorted if the average at the consolidated level of the BBVA Group is taken into account, since these are not comparable figures due to the geographical diversification of the Group.

This Annual Remuneration Report has been approved by the Board of Directors of the company in its meeting of 9 February 2022.

Indicate whether any director voted against or abstained from approving this Report: NO

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6. Directors' Remuneration Policy applicable in 2022

The remuneration policy applicable to BBVA directors in 2022 is the Directors' Remuneration Policy **approved by the General Meeting held on 20 April 2021** (applicable during the **2021, 2022 and 2023** financial years), the outline and main characteristics of which have already been set out in section 3 of this Report, **with no changes having been resolved for the 2022 financial year**.

This Policy is available on the Bank's website[13].

In accordance with the remuneration system applicable to BBVA directors, as set out in this Report and contained in the Directors' Remuneration Policy, the specific conditions applicable to the current financial year are detailed below.

6.1. 2022 Remuneration of non-executive directors

A. Fixed annual allocation

The Board of Directors **has not approved changes for 2022** with respect to the remuneration amounts for non-executive directors approved at its meeting of 29 May 2019, at the proposal of the Remuneration Committee. These amounts will be maintained until a new resolution is adopted by the Board:

Position	EUR thousand
Member of the Board of Directors	129
Member of the Executive Committee	167
Chair of the Audit Committee	165
Member of the Audit Committee	66
Chair of the Risk and Compliance Committee	214
Member of the Risk and Compliance Committee	107
Chair of the Remuneration Committee	107
Member of the Remuneration Committee	43
Chair of the Appointments and Corporate Governance Committee	115
Member of the Appointments and Corporate Governance Committee	46
Chair of the Technology and Cybersecurity Committee*	107
Member of the Technology and Cybersecurity Committee	43
Deputy Chair	50
Lead Director	80

*At the date of this Report, the position of Chair of the Technology and Cybersecurity Committee is not remunerated as the Chairman of the Board of Directors serves in this role.

The details of the amounts paid for this item during the current financial year will be included in the Annual Report on the Remuneration of Directors to be submitted to the General Meeting to be held next financial year.

[13] www.bbva.com

B. Remuneration in kind

Under the Policy, the Bank will pay the corresponding insurance premiums in 2022 that will be allocated to directors as remuneration in kind.

The details of the amounts paid in kind during the current financial year will be included in the Annual Report on the Remuneration of Directors to be submitted to the General Meeting to be held next financial year.

C. Fixed remuneration system with deferred delivery of BBVA shares

In accordance with the fixed remuneration system with deferred delivery of BBVA shares to non-executive directors, the number of "theoretical shares" to be allocated to each non-executive director in 2022 will be equivalent to 20% of the total annual fixed allowance in cash received in 2021. The average closing price of the BBVA share during the 60 trading sessions prior to the date of the Annual General Shareholders' Meeting that approves the financial statements for the 2021 financial year will be used to calculate the number of "theoretical shares".

Detail regarding the "theoretical shares" allocated during the current financial year will be included in the Annual Report on the Remuneration of Directors to be submitted to the General Meeting to be held next financial year.

6.2. 2022 Remuneration of executive directors

A. FIXED REMUNERATION

a) Annual Fixed Remuneration

The Annual Fixed Remuneration of individual executive directors is determined by the Remuneration Committee and submitted to the Board for approval. In accordance with the Policy, to determine this, and any possible updates to it, the Remuneration Committee takes into account the duties assigned to, and the level of responsibility of, each executive director. In addition, it takes into account market analyses prepared by leading independent consultancy firms for the purpose of establishing remuneration that is commensurate to the duties that they perform, that is competitive in the market and that is aligned with that of comparable institutions, as well as considering other factors, such as the average increases in the annual fixed remuneration of members of the Bank's Senior Management.

Pursuant to the foregoing, the Board of Directors **has not adopted any resolution to amend the amounts of Annual Fixed Remuneration for executive directors in 2022**. Therefore, as set out in the Policy, these amounts are as follows:

2022 Annual Fixed Remuneration (EUR thousand)	
Chairman	**2,924**
Chief Executive Officer	**2,179**

These amounts will be maintained until a new resolution is adopted by the Board of Directors.

The **theoretical relative proportion** between the **main fixed and variable components of the remuneration** of executive directors for 2022 is, equally, that set out in the Policy and detailed in section 3.3 of this Report:

Executive director	Position	Annual Fixed Remuneration	"Target" Annual Variable Remuneration
Carlos Torres Vila	Chairman	**45%**	**55%**
Onur Genç	Chief Executive Officer	**45%**	**55%**

In any event, the variable component of the remuneration for 2022 shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the next BBVA Annual General Shareholders' Meeting approves the proposed resolution corresponding to item eight of the Agenda attached of notice of meeting and increases this percentage, up to a maximum of 200%.

b) Remuneration in kind and other benefits

Executive directors are beneficiaries under accident and healthcare insurance policies taken out by the Bank, which pays the corresponding premiums, which are allocated to the directors as remuneration in kind. The Bank also provides executive directors with benefits that apply to the Bank's Senior Management.

The details of the amounts paid in 2022 for the aforementioned items will be included in the Annual Report on the Remuneration of Directors to be submitted to the General Meeting to be held next financial year.

c) Pension system contributions

In accordance with the Policy, the Bank has not assumed any pension commitments in favour of the non-executive directors.

With regard to executive directors, the remuneration and economic rights and compensations of each executive director are included in their respective contracts, which are approved by the Board of Directors. The main terms and conditions of the executive directors' contracts are outlined in section 3.3.2 of this Report.

As of the date of this Report, these contracts have not been modified, meaning that the same conditions as those applicable in 2021 remain in force regarding pension contributions.

The amounts of contributions and insurance premiums paid in 2022 under these systems will be detailed in the Annual Report on the Remuneration of Directors for said financial year.

d) Other fixed allowances of the Chief Executive Officer

As indicated in section 3.3.2. above, in accordance with the provisions of the Policy, the Chief Executive

Officer is entitled under his contract to the following fixed remuneration:

- An annual cash amount, in lieu of a retirement benefit ("**cash in lieu of pension**"), equal to 30% of the Annual Fixed Remuneration.
- An annual cash sum as a mobility allowance, in line with potential commitments made in favour of other expatriate members of Senior Management, the amount of which has been set at EUR 600 thousand per year.

The amount paid for this in 2022 will be detailed in the Annual Report on the Remuneration of Directors for said financial year.

B. VARIABLE REMUNERATION

(a) 2022 Annual Variable Remuneration

As specified in sections 3.3. and 4.3., the Annual Variable Remuneration of executive directors, in line with the model applicable to the rest of the Group's employees, consists of a variable incentive awarded on an annual basis and which reflects their performance. This is measured through the achievement of a set of targets established to evaluate the results obtained in each financial year for a series of Annual Performance Indicators that take into account the strategic priorities established by the Group and the risk incurred.

The Annual Variable Remuneration of each executive director is calculated on the basis of a "Target" Annual Variable Remuneration determined by the Board of Directors on the proposal of the Remuneration Committee, which represents the amount of the Annual Variable Remuneration in the event that 100% of the previously established targets are reached.

For 2022, the amounts of the **"Target" Annual Variable Remuneration** are the same as for 2021:

2022 "Target" Annual Variable Remuneration (EUR thousand)	
Chairman	3,572
Chief Executive Officer	2,672

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2022 AVR Annual Performance Indicators

No changes have been approved for the Annual Performance Indicators for the calculation of the 2022 AVR, with respect to those approved in 2021.

The Annual Performance Indicators established for the purpose of calculating the Annual Variable Remuneration for 2022, approved by the Board of Directors on the proposal of the Remuneration Committee, are as follows:

Type	2022 AVR Annual Performance Indicators		Chairman	Chief Executive Officer
			Weighting	
Financial indicators	Results	Attributable profit (excluding corporate transactions)	10%	15%
		(TBV) Tangible Book Value per share	15%	10%
	Profitability	RORC	10%	10%
	Efficiency	Efficiency ratio	10%	15%
Non-financial indicators	Customer satisfaction	NPS	10%	15%
	Sustainable development	Mobilisation of sustainable financing	10%	10%
	Transformation	Digital sales	10%	10%
		Individual indicators	25%	15%

The **financial indicators** are aligned with the **Group's most relevant management metrics**, which correspond to the strategic priorities defined by the Institution, with their weighting being adjusted based on each executive director's respective duties. These relate, inter alia, to the capacity to generate profits, efficiency, return on capital, value creation and current and future risks implicit in results.

In turn, the **non-financial indicators** relate to the **degree of customer satisfaction, sustainable development and the rest of the Group's strategic priorities**. With regard to **individual indicators**, which will be approved by the Board of Directors on the proposal of the Remuneration Committee, these will relate to the duties and responsibilities of each executive director and, therefore, will be related to the specific dimensions associated therewith.

The financial and non-financial annual performance indicators, including individual indicators, are directly related to the **Bank's strategic priorities:**

Improving our clients' financial health

NPS

Driving operational excellence

Efficiency ratio, RORC, TBV, Attributable profit and Digital Sales

Helping our clients transition toward a sustainable future

Mobilisation of sustainable financing

The best and most engaged team

Individual indicators

Reaching more clients

Individual indicators

Data and Technology

Individual indicators

Each Annual Performance Indicator will have an associated target and scales of achievement for said target[14], approved by the Board of Directors on the proposal of the Remuneration Committee, which, in the case of financial indicators, will take into account budgetary compliance. The scales of achievement are based on the "Target" Annual Variable Remuneration, which, as indicated above, represents the amount of the Annual Variable Remuneration in the event that 100% of the previously established targets are reached.

The amount received as Annual Variable Remuneration through the application of the corresponding scales of achievement ranges **from 0% - 150%** of the "Target" Annual Variable Remuneration, meaning that the **theoretical maximum potential AVR** of each executive director is **limited to 1.5 times their "Target" Annual Variable Remuneration**.

The 2022 Annual Variable Remuneration shall be subject to the rules on its award, vesting and payment established in the Policy and described in sections 3.3. and 4.3. of this Report.

As such, the **Deferred Portion** (60% of the AVR) will be deferred for a period of 5 years and paid, if the applicable conditions are met (and following any implied or express adjustments that may apply), at the end of each year for each of the 5 years of deferral in an amount equal to 20% (20% in 2024, 20% in 2025, 20% in 2026, 20% in 2027 and 20% in 2028).

The Deferred Portion may be reduced, but never increased, based on the results of the pre-established Multi-year Performance Indicators, which will be measured over a 3-year period (2023 - 2025). As such, once the third year of deferral has ended, the result of the Multi-year Performance Indicators shall determine the application of the explicit *ex post* adjustments that, if appropriate, should be made on the outstanding amount of the Deferred Portion of the Annual Variable Remuneration.

2022 AVR Multi-year Performance Indicators

The Multi-year Performance Indicators for the Deferred Portion of the 2022 Annual Variable Remuneration of the executive directors, approved by the Board of Directors on the proposal of the Remuneration Committee and following analysis of the Risk and Compliance Committee, **remain without changes with respect to those approved in 2021:**

	Multi-year Performance Indicators, Deferred Portion of 2021 AVR	Weighting
Capital	Common Equity Tier 1 (CET1) Fully Loaded	40%
Liquidity	Liquidity Coverage Ratio (LCR)	20%
Profitability	Return On Tangible Equity (ROTE)	30%
Creation of Value	Total Shareholder Return (TSR)	10%

The Multi-year Performance Indicators are **aligned with the Group's core risk management and control metrics** and relate to capital, liquidity, profitability and the creation of value for the Group. They have associated scales of achievement such that, if the thresholds established for each of them during the measurement period spanning the first three years of deferral (2023 - 2025) are not met, the Deferred Portion of the 2022 Annual Variable Remuneration that remains outstanding may be decreased, but never increased.

[14] The only objectives that do not have associated scales of achievement are those specified for the Individual Indicators, because performance is measured via an overall assessment that takes into account both overall performance and the performance of certain indicators used as benchmarks.

The performance of the TSR indicator will be measured and compared against that of the peer group approved by the Board of Directors on the proposal of the Remuneration Committee (Annex 1) over the referred three-year measurement period from 1 January 2023 to 31 December 2025.

The scale defined for the TSR indicator will determine any reduction, as the case may be, of the deferred amounts associated therewith. This will occur where, following the three-year measurement period, the result of this indicator places BBVA below the median of the peer group.

In addition, the amount of the 2022 Deferred AVR paid in shares that ultimately vests will, in any event, incorporate the implied adjustments inherent to the fluctuations of the BBVA share price.

In addition, the remaining vesting and payment rules for the Annual Variable Remuneration for executive directors set forth in the Policy will apply to the 2022 Annual Variable Remuneration, which include: (i) the withholding of shares received for one year; (ii) insurance or hedging prohibitions; (iii) criteria for updating the cash portion; (iv) malus and clawback clauses for 100% of the AVR; and (v) limitation of the variable remuneration to 100% of the fixed component of the total remuneration amount, unless the General Meeting resolves to increase the same up to a maximum of 200%.

As such, the Policy includes different measures to reduce exposure to excessive risk and adjust remuneration to the Institution's long-term interests, as outlined in sections 2 and 3 of this Report, as part of the description of the variable remuneration system applicable to Identified Staff and to executive directors, including the specific rules on the vesting and payment of Annual Variable Remuneration.

6.3. Other matters relating to the 2022 financial year

A. Payments for the termination of the contractual relationship

The Bank has undertaken no commitments to pay remuneration to its directors for the termination of the contractual relationship, nor has the Bank made any other payment commitments resulting from the early cessation of their positions, other than what is set forth in this Report.

B. Post-contractual non-competition agreement

As indicated in section 3.3.2., the contracts of executive directors establish post-contractual non-competition agreements, the details of which are reflected in the Directors' Remuneration Policy.

C. Loans, advances and guarantees

Directors are not awarded any remuneration in the form of or resulting from advances, loans or guarantees.

D. Remuneration paid by other Group companies

The breakdown of the amounts, if any, that are paid in this regard will be included in the Annual Report on the Remuneration of Directors that will be submitted to the General Meeting to be held next financial year.

At the date of this Report, there are no remuneration items other than those previously described. No additional remuneration, or remuneration other than that indicated in this Report is expected to be accrued by directors during the current financial year.

ANNEX 1

Peer group for remuneration purposes	
Banco Santander	Spain
CaixaBank	Spain
BNP Paribas	France
Société Générale	France
Barclays	United Kingdom
HSBC	United Kingdom
Lloyds Banking Group	United Kingdom
Deutsche Bank	Germany
Commerzbank	Germany
Unicredito Italiano	Italy
Intesa San Paolo	Italy
ING Group	Netherlands
Scotiabank	Canada
Banorte	Mexico

This group of peer entities, approved by the Board of Directors, on the proposal of the Remuneration Committee, in 2021, is used for the purpose of establishing remuneration that is commensurate to the role performed by the directors and that is competitive with the remuneration received for equivalent roles across the Bank's main peer institutions. It is also the group that will be used for the purpose of the TSR Multi-year Performance Indicator corresponding to the 2021 Deferred Annual Variable Remuneration.

ANNEX 2

Peer group for the purpose of the TSR indicator for the 2018 Deferred AVR	
Banco Santander	Spain
BNP Paribas	France
Société Générale	France
Barclays	United Kingdom
HSBC	United Kingdom
Lloyds Banking Group	United Kingdom
Deutsche Bank	Germany
Commerzbank	Germany
Unicredito Italiano	Italy
Intesa San Paolo	Italy
Bank of America	U. S.
Citigroup	U. S.
Wells Fargo	U. S.
Scotiabank	Canada
ING Group	Netherlands

This group of peer entities is the group used for the purposes of the TSR Multi-year Performance Indicator corresponding to the 2018 Deferred Annual Variable Remuneration of executive directors, in accordance with that approved by the Board of Directors at its meeting of 11 February 2019.

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ANNEX 3

Alignment with the Format set out in Circular 4/2013

Below is a table of equivalences detailing the location in this Report of the contents set forth in the Model of the Annual Report on Remuneration of Directors of Listed Companies contained in Annex I of CNMV Circular 4/2013 as modified by CNMV Circular 3/2021.

Sections of the template set out in CNMV Circular 4/2013 Annex I	Report on the Remuneration of BBVA Directors
A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR	
A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.	Section 6. Directors' Remuneration Policy applicable in 2022
Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive duties carried out.	Section 6.1. 2022 Remuneration of non-executive directors and 6.2. 2022 Remuneration of executive directors
In any case, the following aspects must be reported, as a minimum: a) Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions. b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy. c) Information on whether any external advisors took part in this process and, if so, their identity.	Section 3.1. Decision-making process for approval of the Policy and ANNEX 2 (peer group)
d) Procedures set forth in the current remuneration policy for directors in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.	Section 3.1. Decision-making process for approval of the Policy
A1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of the remuneration.	Section 6.2. 2022 Remuneration of executive directors
In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.	Section 6. Directors' Remuneration Policy applicable in 2022 and, by reference, Sections 2. BBVA Group General Remuneration Policy and 3. Directors' Remuneration Policy applicable in 2021
Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.	Section 6. Directors' Remuneration Policy applicable in 2022and, by reference, 2.2. Special provisions applicable to Identified Staff y 3.3.1. Elements of the remuneration system for executive directors

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.	Section 6.1. 2022 Remuneration of non-executive directors and by reference, Section 4.2. Remuneration accrued by non-executive directors in 2021
A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.	Section 6.2. 2022 Remuneration of executive directors, and by reference, Section 4.3. Remuneration accrued by executive directors in 2021
A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.	Section 6.1. 2022 Remuneration of non-executive directors and, by reference 4.2. Remuneration accrued by non-executive directors in 2021, and Section 6.2. 2022 Remuneration of executive directors, and by reference, Section 4.3. Remuneration accrued by executive directors in 2021
A.1.6 Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.	Section 6.2. 2022 Remuneration of executive directors, subsection B. a) (Annual Variable Remuneration) and, by reference, Section 4.3. Remuneration accrued by executive directors in 2021 subsection B. b.) (Annual Variable Remuneration)
Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.	Section 6.2. 2022 Remuneration of executive directors, sub-section B. a) (Annual Variable Remuneration).
A.1.7 Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director. Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.	Section 6.2. 2022 Remuneration of executive directors , subsection A. c) (Pension system contributions) and by reference, Section 3.3.2. Main terms and conditions of the executive directors' contracts
A.1.8 Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual non competition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.	Section 6.3. Other matters relating to the 2022 financial year and, by reference, Section 3.3.2. Main terms and conditions of the executive directors' contracts

A.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as remuneration or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on noncompetition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.	Section 6.2. 2022 Remuneration of executive directors and, by reference, Section 3.3.2. Main terms and conditions of the executive directors' contracts
A.1.10 The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position. A.1.11 Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration. A.1.12 The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.	Section 6.3. Other matters relating to the 2022 financial year As of the date of this Report, there are no remuneration items other than those described.
A.2 Explain any significant change in the remuneration policy applicable in the current year resulting from: a) A new policy or an amendment to a policy already approved by the General Meeting. b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year. c) Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.	Section 6. Directors' Remuneration Policy applicable in 2022 No changes have been resolved for the 2022 financial year with regard to the Policy applicable in 2021, which was approved by the General Meeting on 20 April 2021.
A.3 Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.	Section 6. Directors' Remuneration Policy applicable in 2022
A.4 Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.	Section 5. CNMV Statistical appendix
A. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED	
B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report.	Section 4. Results of implementation of the Policy in 2021
This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.	Section 4.1. Activity carried out by the Corporate Bodies in 2021

B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.	Section 4. Results of implementation of the Policy in 2021 There was no deviation from the procedure for the application of the Policy in the financial year last ended. B.1.3.
B.1.3 Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.	Section 4. Results of implementation of the Policy in 2021 No temporary exception to the Policy was applied during the financial year last ended.
B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks, aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued. Ensure that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.	Section 2. BBVA Group General Remuneration Policy and, in particular, Section 2.2. Special provisions applicable to Identified Staff; 3. Directors' Remuneration Policy applicable in 2021, and in particular, Section 3.3.1. Elements of the remuneration system for executive directors; and Section 4. Results of implementation of the Policy in 2021, and specially, Section 4.3. Remuneration accrued by executive directors in 2021 subsection B (Variable remuneration)
B.3 Explain how the remuneration accrued and consolidated over the financial year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.	Section 3.2. Remuneration system for non-executive directors; Section 3.3. Remuneration system for executive directors; and in particular, Section 3.3.1. Elements of the remuneration system for executive directors; and Section 4. Results of implementation of the Policy in 2021
Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, if applicable, how variations in the company's performance have influenced changes in directors' remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.	Section 4. Results of implementation of the Policy in 2021, in particular, section 4.3. Remuneration accrued by executive directors in 2021, sub-section C (Annual Variable Remuneration) and, in particular, the Sections entitled "Relationship between 2021 AVR and results", "Vesting and payment rules applicable to the 2021 AVR" and "Relationship between 2018 Deferred AVR and results".
B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on the annual report on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:	Section 5. CNMV Statistical appendix

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B.5 Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined, their relative proportion with regard to each director and how they changed with respect to the previous year.	Section 4.2. Remuneration accrued by non-executive directors in 2021
B.6 Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.	Section 4.3. Remuneration accrued by executive directors in 2021 in particular, sub-section a) (2021 Annual Fixed Remuneration).
B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended. In particular: a) Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met. b) In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period. c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director). d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any. – Explain the short-term variable components of the remuneration systems – Explain the long-term variable components of the remuneration systems	Section 3.3.1. Elements of the remuneration system for executive directors; and Section 4.3. Remuneration accrued by executive directors in 2021 and, in particular, subsection B (Variable remuneration)
B.8 Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (reduction) or clawback clauses, why they were implemented and the years to which they refer.	Section 4.5. Other matters relating to the 2021 financial year In the 2021 financial year, the variable remuneration of executive directors was not reduced or clawed back.
B.9 Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation of the contractual relationship between the company and the director.	Section 3.3.2. Main terms and conditions of the executive directors' contracts; and Section 4.3. Remuneration accrued by executive directors in 202 subsection A. c) (Contribution to pension schemes 2021)
B.10 Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.	Section 3.3.2. Main terms and conditions of the executive directors' contracts; and Section 4.5. Other matters relating to the 2021 financial year

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, if so, explain them. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1	Section 3. Directors' Remuneration Policy applicable in 2021 and, in particular, Section 3.3.2. Main terms and conditions of the executive directors' contracts
B.12 Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.	Section 4.5. Other matters relating to the 2021 financial year As of the date of this Report, there are no remuneration items other than those described.
B.13 Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.	Section 4.5. Other matters relating to the 2021 financial year
B.14 Itemise the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.	Section 4.2. Remuneration accrued by non-executive directors in 2021 subsection B (Remuneration in kind); and Section 4.3. Remuneration accrued by executive directors in 2021 subsection A. b) (Remuneration in kind and other benefits 2021).
B.15 Explain the remuneration accrued by the director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director's services to the company.	Section 4.5. Other matters relating to the 2021 financial year As of the date of this Report, there are no remuneration items other than those described.
B.16 Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that it would have been considered, if applicable, that it does not constitute remuneration to the director in their capacity as such or in consideration for the performance of their executive functions and whether or not it has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.	Section 4.5. Other matters relating to the 2021 financial year As of the date of this Report, there are no remuneration items other than those described.
C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR	Section 5. CNMV Statistical appendix