

Interim Consolidated Report BBVA Group 2023

**Auditors' Report, Condensed Interim
Consolidated Financial Statements
and Interim Consolidated
Management Report as of and for
the six-months ended June 30, 2023**

Audit Report on Condensed Interim Consolidated
Financial Statements issued by an Independent Auditor

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
AND SUBSIDIARIES
Condensed Interim Consolidated Financial Statements and
Consolidated Interim Management Report
for the six-month period from 1 January to 30 June 2023

AUDIT REPORT ON CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Banco Bilbao Vizcaya Argentaria, S.A.:

Audit report on the Condensed Interim Consolidated Financial Statements

Opinion

We have audited the condensed interim consolidated financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the “Bank”) and its subsidiaries which, together with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the “Group”), which comprise the balance sheet at 30 June 2023, the income statement, the statement of recognised income and expenses, the statement of total changes in equity, the cash flow statement and the notes thereto, all condensed and consolidated, for the six-month period then ended.

In our opinion, the accompanying condensed interim consolidated financial statements of the Group for the six-month period ended 30 June 2023 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the condensed interim consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the condensed interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the condensed interim consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of impairment losses due to credit risk on the portfolio of loans and advances to customers at amortized cost

Description The Group's portfolio of loans and advances to customers at amortized cost presented a balance of Euros [·] million at June 30, 2023, net of valuation adjustments. Valuation adjustments included Euros [·] million of provisions for impairment losses due to credit risk, as disclosed in notes 6.2 and 13 to the accompanying condensed interim consolidated financial statements. Estimating provisions for impairment on the portfolio of loans and advances to customers at amortized cost is important and complex. It considers a number of variables, such as classification of the financial assets, the use of measurement methods and models, and the estimate of assumptions used in the calculation. Allowances and provisions are calculated on both an individual and collective basis. This calculation requires high degree of judgment by management according to the principles and policies applied by the Group, as described in note 6.2 to the accompanying condensed interim consolidated financial statements and disclosed in greater detail in note 7 to the consolidated financial statements for the year ended December 31, 2022.

For the purpose of estimating impairment, financial assets classified as loans and advances to customers measured at amortized cost are classified into three categories or stages according to whether a significant increase in credit risk since their initial recognition has been identified (stage 2), whether the financial assets are credit-impaired (stage 3), or whether neither of these circumstances has arisen (stage 1). Establishing this classification is a relevant process for the Group as the calculation of allowances and provisions for credit risk varies depending on the stage in which the financial asset has been included.

Individual estimates of impairment losses consider the borrower's payment capacity based on estimates of its future business performance and the market value of the collateral provided for credit transactions.

Meanwhile, collective estimates of impairment losses are performed by means of internal models that use large databases, different macroeconomic scenarios, and present, past and future information. Estimating expected loss is a highly automated and complex process that relies on segmentation criteria for exposures and the use of judgment in determining exposure at default (EAD) and the parameters of expected loss: probability of default (PD) and loss given default (LGD). The Group periodically recalibrates and performs contrast tests on its internal models and analyzes sensitivity to macroeconomic scenarios with a view to improving their predictive power on the basis of actual past experience.

Moreover, as described in note 6.2.4 to the accompanying condensed interim consolidated financial statements, the Group may supplement the expected losses to account for the effects that may not be included, either by considering additional risk factors, or by the incorporation of sectorial particularities or particularities that may affect a set of operations or borrowers.

Given the importance for the Group of the portfolio of loans and advances to customers at amortized cost and, thus, the related allowances and provisions, the complexity and high degree of judgment used in classifying exposures and calculating those allowances and provisions, we determined the estimate of impairment losses due to credit risk on this portfolio to be a key audit matter.

Our response

Our audit approach in relation to this matter included understanding the processes put in place by management to estimate impairment of loans and advances to customers at amortized cost due to credit risk, evaluating the design and implementation of the relevant controls established in those processes and verifying their operating effectiveness, and performing tests of detail on that estimate, to which end we involved our credit risk specialists. We focused on evaluating the methodology applied by the Group to calculate expected losses, the data and assumptions used in determining the expected loss parameters, the macroeconomic variables used, and the qualitative and quantitative criteria used to adjust the collective allowances and provisions arising from the internal models and the mathematical accuracy of the calculations.

Our procedures related to the assessment of the design and implementation of the relevant controls and verification of their operating effectiveness focused primarily on the following:

- ▶ Credit risk management framework, including the design and approval of accounting policies, and of the methodologies and models for estimating expected loss.
- ▶ Classification of transactions into stages based on credit risk, whether or not there has been an increase in credit risk since their initial recognition or whether they are credit-impaired based on criteria defined by the Group.
- ▶ The methods and assumptions used to estimate EAD, PD and LGD and to determine the macroeconomic variables and the integrity, accuracy and updating of the databases used to calculate expected loss.
- ▶ The control framework on internal models for the collective estimate of impairment losses and the variables used to estimate impairment losses calculated individually.
- ▶ The governance framework on additional adjustments to expected losses identified in the general process and, where applicable, adaptation of the estimate accordingly, considering uncertainties in markets deriving from macroeconomic scenarios and other geopolitical issues.
- ▶ Procedures followed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective impairment losses.

Our tests of detail on the estimated impairment losses included the following:

- ▶ We assessed the suitability of accounting policies applied by the Group in accordance with the applicable financial reporting framework.

- ▶ We performed a test of detail on the integrity, accuracy and updating of the databases used by the Group in determining the stage of exposures and the estimate of expected loss parameters (e.g., days past due, existence of refinancing operations or value of collateral and guarantees and, with the involvement of our economic research specialists, the estimate of macroeconomic variables). We also performed tests of detail on a sample of transactions to assess the correctness of their classification and segmentation for purposes of estimating impairment.
- ▶ We assessed the suitability of the discounted cash flow models used by the Group for estimating impairment losses on an individual basis. We also reviewed a sample of transactions to assess the correctness of their classification and the assumptions used by management to identify and quantify impairment losses, including the borrower's financial position, forecasts of future cash flows and, where applicable, the value of collateral and guarantees, as well as the discount rates applied. We evaluated, during our analysis, how management factored the aid initiatives promoted by the governments of the various countries in which the Group operates into these borrowers' cash flow projections.
- ▶ We evaluated, with the assistance of our credit risk specialists, the approach and methodology used by the Group for collectively estimating impairment losses by analyzing a sample of internal models. We also assessed the operation of the expected loss calculation engine by recalculating impairment losses on a collective basis for a sample of credit portfolios.
- ▶ We assessed the suitability of making additional adjustments to the expected losses identified in the general process and evaluated the correctness of the data and assumptions used by the Group in its calculation.

In addition, we assessed whether the detailed disclosures in the notes to the condensed interim consolidated financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Group.

Fair value measurement of financial instruments

Description At June 30, 2023, the Group had financial assets and financial liabilities recognized at fair value that had been measured using valuation techniques as no quoted price in an active market was available. Therefore, they were classified, for measurement purposes, in levels 2 or 3, as disclosed in note 7 to the accompanying condensed interim consolidated financial statements.

In the absence of a quoted price in an active market, determining the fair value of financial instruments requires an estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models which involves a high degree of judgment by management. Therefore, we determined the estimate of fair value using this valuation method to be a key audit matter.

Our response

Our audit procedures focused on assessing the models and valuation methods used by the Group to estimate fair value of complex financial instruments. To do so, we obtained an understanding of the process followed by management to measure financial instruments at fair value, assessed the design and implementation of the relevant controls established by the Group in that process, and verified the operating effectiveness of those controls. We also performed tests of detail on the estimates made by the Group, with the involvement of our financial instrument valuation specialists.

Our procedures related to the assessment of the design and implementation of the relevant controls of the process and verification of their operating effectiveness focused primarily on the following:

- ▶ The risk management framework and controls relating to operations in the financial markets.
- ▶ The design and application of the Group's accounting policies and methodologies and valuation models for measuring financial instruments and its effect in the fair value hierarchy.
- ▶ The completeness, accuracy and updating of the data used in measuring financial instruments, including the management process in place with regard to existing databases.

Our procedures as regards the tests of detail performed were as follows:

- ▶ We assessed the reasonableness of the most significant valuation models used by the Group, and of the significant assumptions applied, particularly inputs not directly observable in the market, such as interest rates, issuer credit risk, volatility and correlations between these factors.
- ▶ For a sample of complex financial instruments measured at fair value without a listed price in an active market, for which we assessed the correctness of their classification for measurement purposes, the appropriateness of the valuation criteria applied and the reasonableness of their valuation by contrasting this with a valuation performed independently by our specialists.

In addition, we assessed whether the detailed disclosures in the notes to the condensed interim consolidated financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Group.

Risks associated with information technology

Description	The continuity of the Group's business operations is highly dependent upon its IT infrastructure. In this respect, the Group has a complex technological operating environment, with large data processing centers in Spain and Mexico providing support to the various countries in which the Group operates, as well as local data processing centers. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Group's financial information is processed correctly.
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In this environment, it is essential to assess issues such as the organization and control framework of the Technology area, which must ensure appropriate management of technological risks that could impact on information systems, as well as controls over physical and logical security, and maintenance, development and use of the systems, databases and applications used in the financial reporting process. We have therefore determined the risks associated with information technology to be a key audit matter.

**Our
response**

Within the context of our audit, we obtained an understanding, with the assistance of our specialists in technology systems, of the information flows and the internal control environment of the Group regarding the operative systems, databases and applications involved in the financial reporting process. Our audit procedures included, among others, the following:

- ▶ Evaluating the governance framework of technology risks.
- ▶ Testing access controls, change management and logical security to key operating systems, databases and applications for generating financial information.
- ▶ Testing controls over the maintenance, development and use of applications and systems used in generating financial information.
- ▶ Testing automatic controls that operate in key processes to generate financial information.
- ▶ Evaluating the design and implementation of changes made by management to strengthen access controls to certain applications, as well as testing compensating controls or other mitigating factors implemented by management.

Emphasis of matter paragraph

We draw attention to note 1.2 of the accompanying explanatory notes, where it is stated that the accompanying condensed interim consolidated financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and therefore the accompanying condensed interim consolidated financial statements should be read in conjunction with the Group's consolidated annual accounts for the year ended December 31, 2022. Our opinion is not modified in respect of this matter.

Other information: consolidated interim management report

Other information refers exclusively to the consolidated interim management report for the six-month period ended 30 June 2023, the preparation of which is the responsibility of the Bank's Directors and is not an integral part of the condensed interim consolidated financial statements.

Our audit opinion on the condensed interim consolidated financial statements does not cover the consolidated interim management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated interim management report is to assess and report on the consistency of the consolidated interim management report with the condensed interim consolidated financial statements based on the knowledge of the Group obtained during the audit, and to assess and report on whether the content and presentation of the consolidated interim management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated interim management report is consistent with that provided in the condensed interim consolidated financial statements for the six-month period ended 30 June 2023 and its content and presentation are in conformity with applicable regulations.

Responsibilities of the Bank's Directors and the Audit Committee for the condensed interim consolidated financial statements

The directors of the Bank are responsible for the preparation of the accompanying condensed interim consolidated financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information, and for such internal control as they determine is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Bank's Audit Committee is responsible for overseeing the preparation and presentation of the condensed interim consolidated financial statements.

Auditor's responsibilities for the audit of the condensed interim consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed interim consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.
- ▶ Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Bank's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's Audit Committee with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Bank's Audit Committee, we determine those matters that were of most significance in the audit of the condensed interim consolidated financial statements for the six-month period ended 30 June 2023 and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Term of engagement

The ordinary general shareholders' meeting held on 18 March 2022 appointed us as auditors of the Group for 3 years, for the year commenced 1 January 2022.

Services provided

The services in addition to the statutory audit provided by Ernst & Young, S.L. to the Group during the six-month period ended 30 June 2023 comprised limited review work on the interim financial statements and work related to regulatory requirements imposed by supervisory bodies.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signature on the original in Spanish)

José Carlos Hernández Barrasús
(Registered in the Official Register of
Auditors under No. 17469)

July 28, 2023

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INTERIM CONSOLIDATED MANAGEMENT REPORT

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Condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022

ASSETS (Millions of Euros)			
	Notes	June 2023	December 2022 ⁽¹⁾
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	8	71,858	79,756
FINANCIAL ASSETS HELD FOR TRADING	9	141,721	110,671
Derivatives		39,346	39,908
Equity instruments		4,247	4,404
Debt securities		33,999	24,367
Loans and advances to central banks		2,165	1,632
Loans and advances to credit institutions		48,189	25,231
Loans and advances to customers		13,775	15,130
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	10	8,019	6,888
Equity instruments		7,432	6,511
Debt securities		313	129
Loans and advances to customers		274	247
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	1,004	913
Debt securities		1,004	913
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	12	63,979	65,374
Equity instruments		1,254	1,198
Debt securities		62,700	64,150
Loans and advances to credit institutions		26	26
FINANCIAL ASSETS AT AMORTIZED COST	13	438,841	414,421
Debt securities		44,769	36,639
Loans and advances to central banks		6,734	4,401
Loans and advances to credit institutions		17,577	16,031
Loans and advances to customers		369,761	357,351
DERIVATIVES - HEDGE ACCOUNTING	14	1,888	1,891
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	14	(137)	(148)
JOINT VENTURES AND ASSOCIATES	15	929	916
Joint ventures		90	100
Associates		839	816
INSURANCE AND REINSURANCE ASSETS	22	212	183
TANGIBLE ASSETS	16	8,892	8,737
Properties, plant and equipment		8,613	8,441
For own use		8,080	7,911
Other assets leased out under an operating lease		533	530
Investment properties		279	296
INTANGIBLE ASSETS	17	2,284	2,156
Goodwill		793	707
Other intangible assets		1,491	1,449
TAX ASSETS	18	17,618	16,725
Current tax assets		2,244	1,978
Deferred tax assets		15,374	14,747
OTHER ASSETS	19	4,381	2,586
Insurance contracts linked to pensions		—	—
Inventories		456	325
Other		3,924	2,260
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	20	966	1,022
TOTAL ASSETS	5	762,456	712,092

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022

LIABILITIES AND EQUITY (Millions of Euros)			
	Notes	June 2023	December 2022 ⁽¹⁾
FINANCIAL LIABILITIES HELD FOR TRADING	9	127,332	95,611
Derivatives		38,003	37,909
Short positions		17,107	13,487
Deposits from central banks		8,656	3,950
Deposits from credit institutions		48,395	28,924
Customer deposits		15,170	11,341
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	12,577	10,580
Deposits from central banks		—	—
Deposits from credit institutions		111	—
Customer deposits		698	700
Debt certificates issued		3,642	3,288
Other financial liabilities		8,126	6,592
Memorandum item: Subordinated liabilities		—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	21	541,671	529,172
Deposits from central banks		21,070	38,323
Deposits from credit institutions		38,891	26,935
Customer deposits		402,344	394,404
Debt certificates issued		63,158	55,429
Other financial liabilities		16,207	14,081
Memorandum item: Subordinated liabilities		14,947	12,509
DERIVATIVES - HEDGE ACCOUNTING	14	3,486	3,303
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	14	—	—
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	22	11,537	10,131
PROVISIONS	23	4,859	4,933
Pensions and other post-employment defined benefit obligations		2,581	2,632
Other long term employee benefits		454	466
Provisions for taxes and other legal contingencies		686	685
Commitments and guarantees given		748	770
Other provisions		390	380
TAX LIABILITIES	18	3,087	2,935
Current tax liabilities		1,000	1,415
Deferred tax liabilities		2,087	1,520
OTHER LIABILITIES	19	5,338	4,909
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	20	—	—
TOTAL LIABILITIES		709,888	661,575

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022

LIABILITIES AND EQUITY (Continued) (Millions of Euros)			
	Notes	June 2023	December 2022 ⁽¹⁾
SHAREHOLDERS' FUNDS		65,970	64,535
Capital	25	2,923	2,955
Paid up capital		2,923	2,955
Unpaid capital which has been called up		—	—
Share premium		20,514	20,856
Equity instruments issued other than capital		—	—
Other equity		47	63
Retained earnings	26	36,379	32,711
Revaluation reserves		—	—
Other reserves	26	2,250	2,345
Reserves or accumulated losses of investments in joint ventures and associates		(233)	(221)
Other		2,483	2,566
Less: treasury shares		(21)	(29)
Profit or loss attributable to owners of the parent		3,878	6,358
Less: Interim dividends		—	(722)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	27	(16,919)	(17,642)
Items that will not be reclassified to profit or loss		(1,958)	(1,881)
Actuarial gains (losses) on defined benefit pension plans		(939)	(760)
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognized income and expense of investments in joint ventures and associates		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		(1,077)	(1,194)
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		58	72
Items that may be reclassified to profit or loss		(14,961)	(15,760)
Hedge of net investments in foreign operations (effective portion)		(2,197)	(1,408)
Foreign currency translation		(11,573)	(13,078)
Hedging derivatives. Cash flow hedges (effective portion)		(243)	(447)
Fair value changes of debt instruments measured at fair value through other comprehensive income		(943)	(809)
Hedging instruments (non-designated items)		—	—
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognized income and expense of investments in joint ventures and associates		(5)	(18)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	28	3,517	3,623
Accumulated other comprehensive income (loss)		(3,257)	(3,109)
Other items		6,774	6,732
TOTAL EQUITY		52,568	50,517
TOTAL EQUITY AND TOTAL LIABILITIES		762,456	712,092
MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)			
	Notes	June 2023	December 2022 ⁽¹⁾
Loan commitments given	30	155,009	136,920
Financial guarantees given	30	16,007	16,511
Other commitments given	30	39,561	39,137

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated income statements for the six months ended June 30, 2023 and 2022

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)			
	Notes	June 2023	June 2022 ⁽¹⁾
Interest and other income	32.1	21,897	13,403
Financial assets at fair value through other comprehensive income		1,913	1,304
Financial assets at amortized cost		17,305	10,395
Other interest income		2,679	1,704
Interest expense	32.2	(10,487)	(4,865)
NET INTEREST INCOME		11,410	8,538
Dividend income	33	73	76
Share of profit or loss of entities accounted for using the equity method		14	15
Fee and commission income	34	4,498	3,964
Fee and commission expense	34	(1,590)	(1,305)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	35	(1)	39
Financial assets at amortized cost		35	8
Other financial assets and liabilities		(36)	31
Gains (losses) on financial assets and liabilities held for trading, net	35	283	11
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortized cost		—	—
Other gains (losses)		283	11
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	35	(35)	(35)
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortized cost		—	—
Other gains (losses)		(35)	(35)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	35	150	348
Gains (losses) from hedge accounting, net	35	73	16
Exchange differences, net	35	304	716
Other operating income	36	333	297
Other operating expense	36	(1,944)	(1,803)
Income from insurance and reinsurance contracts	37	1,645	1,343
Expense from insurance and reinsurance contracts	37	(1,065)	(802)
GROSS INCOME		14,148	11,417
Administration costs		(5,262)	(4,371)
Personnel expense	38.1	(3,081)	(2,582)
Other administrative expense	38.2	(2,181)	(1,790)
Depreciation and amortization	39	(676)	(652)
Provisions or reversal of provisions	40	(129)	(112)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	41	(1,993)	(1,441)
Financial assets measured at amortized cost		(1,958)	(1,391)
Financial assets at fair value through other comprehensive income		(35)	(50)
NET OPERATING INCOME		6,088	4,841
Impairment or reversal of impairment of investments in joint ventures and associates		10	19
Impairment or reversal of impairment on non-financial assets	42	(13)	—
Tangible assets		3	22
Intangible assets		(10)	(5)
Other assets		(6)	(17)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		8	(15)
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	43	29	(120)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		6,122	4,724
Tax expense or income related to profit or loss from continuing operations		(1,978)	(1,650)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		4,144	3,074
Profit (loss) after tax from discontinued operations	20	—	—
PROFIT (LOSS)		4,144	3,074
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	28	266	117
ATTRIBUTABLE TO OWNERS OF THE PARENT		3,878	2,957
		June 2023	June 2022 ⁽¹⁾
EARNINGS (LOSSES) PER SHARE (Euros)		0.62	0.44
Basic earnings (losses) per share from continuing operations		0.62	0.44
Diluted earnings (losses) per share from continuing operations		0.62	0.44
Basic earnings (losses) per share from discontinued operations		—	—
Diluted earnings (losses) per share from discontinued operations		—	—

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated statements of recognized income and expense for the six months ended June 30, 2023 and 2022

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)		
	June 2023	June 2022 ⁽¹⁾
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	4,144	3,074
OTHER RECOGNIZED INCOME (EXPENSE)	568	1,829
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(79)	631
Actuarial gains (losses) from defined benefit pension plans	(208)	343
Non-current assets and disposal groups held for sale	—	—
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	116	295
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	(19)	135
Income tax related to items not subject to reclassification to income statement	32	(142)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	647	1,198
Hedge of net investments in foreign operations (effective portion)	(794)	(791)
Valuation gains (losses) taken to equity	(794)	(791)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	1,358	3,697
Translation gains (losses) taken to equity	1,358	3,697
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges (effective portion)	288	(387)
Valuation gains (losses) taken to equity	288	(418)
Transferred to profit or loss	—	31
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Debt securities at fair value through other comprehensive income	(186)	(2,026)
Valuation gains (losses) taken to equity	(253)	(2,056)
Transferred to profit or loss	67	31
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Valuation gains (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Entities accounted for using the equity method	14	1
Income tax relating to items subject to reclassification to income statements	(34)	703
TOTAL RECOGNIZED INCOME (EXPENSE)	4,712	4,903
Attributable to minority interest (non-controlling interests)	118	1,079
Attributable to the parent company	4,594	3,824

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated statements of changes in equity for the six months ended June 30, 2023 and 2022

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2023	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves	Other reserves (Note 26)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividend (Note 4)	Accumulated other comprehensive income (Note 27)	Non-controlling interest		Total
												Accumulate d other comprehen sive income (Note 28)	Other (Note 28)	
Balances as of January 1, 2023 ⁽¹⁾	2,955	20,856	—	63	32,536	—	2,345	(29)	6,420	(722)	(17,432)	(3,112)	6,736	50,615
Effect of changes in accounting policies (Note 1.3)	—	—	—	—	175	—	—	—	(62)	—	(210)	4	(4)	(98)
Adjusted initial balance	2,955	20,856	—	63	32,711	—	2,345	(29)	6,358	(722)	(17,642)	(3,109)	6,732	50,517
Total income (expense) recognized	—	—	—	—	—	—	—	—	3,878	—	716	(148)	266	4,712
Other changes in equity	(32)	(342)	—	(16)	3,668	—	(95)	8	(6,358)	722	7	—	(224)	(2,661)
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	(32)	(342)	—	—	25	—	(74)	422	—	—	—	—	—	—
Dividend distribution (shareholder remuneration)	—	—	—	—	(1,857)	—	—	—	—	—	—	—	(227)	(2,084)
Purchase of treasury shares	—	—	—	—	—	—	—	(922)	—	—	—	—	—	(922)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(2)	508	—	—	—	—	—	506
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers among components of equity	—	—	—	2	5,648	—	(21)	—	(6,358)	722	7	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(28)	—	—	—	—	—	—	—	—	—	(28)
Other increases or (-) decreases in equity	—	—	—	10	(148)	—	2	—	—	—	—	—	3	(133)
Balances as of June 30, 2023	2,923	20,514	—	47	36,379	—	2,250	(21)	3,878	—	(16,919)	(3,257)	6,774	52,568

(1) Balances as of December 31, 2022 as originally reported in the consolidated Financial Statements for the year 2022.

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated statements of changes in equity for the six months ended June 30, 2023 and 2022

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2022 ⁽¹⁾	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves	Other reserves (Note 26)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividend (Note 4)	Accumulated other comprehensive income (Note 27)	Non-controlling interest		Total
												Accumulated other comprehensive income (Note 28)	Other (Note 28)	
Balances as of January 1, 2022 ⁽²⁾	3,267	23,599	—	60	31,841	—	(1,857)	(647)	4,653	(532)	(16,476)	(8,414)	13,267	48,760
Effect of changes in accounting policies (Note 1.3)	—	—	—	—	178	—	—	—	—	—	(186)	1	(6)	(12)
Adjusted initial balance	3,267	23,599	—	60	32,019	—	(1,857)	(647)	4,653	(532)	(16,662)	(8,413)	13,261	48,748
Total income (expense) recognized	—	—	—	—	—	—	—	—	2,957	—	866	963	117	4,903
Other changes in equity	(138)	(1,265)	—	(11)	718	—	3,726	(403)	(4,653)	532	(822)	4,444	(7,023)	(4,894)
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	(138)	(1,265)	—	—	110	—	(207)	1,500	—	—	—	—	—	—
Dividend distribution (shareholder remuneration)	—	—	—	—	(1,463)	—	—	—	—	—	—	—	(181)	(1,644)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,408)	—	—	—	—	—	(2,408)
Sale or cancellation of treasury shares	—	—	—	—	—	—	9	505	—	—	—	—	—	514
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers among components of equity ⁽³⁾	—	—	—	—	2,244	—	2,699	—	(4,653)	532	(822)	4,444	(4,444)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity ⁽³⁾	—	—	—	11	(173)	—	1,225	—	—	—	—	—	(2,398)	(1,334)
Balances as of June 30, 2022	3,129	22,333	—	49	32,738	—	1,869	(1,049)	2,957	—	(16,617)	(3,006)	6,355	48,757

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

(2) Balances as of December 31, 2021 as originally reported in the consolidated Financial Statements for the year 2021.

(3) The headings "Transfers among components of equity" and "Other increases or decreases in equity" include the effects of the application of IAS 29 in the subsidiaries in Turkey for amounts of €-1,873 million in "Retained earnings", €1,862 million in "Accumulated other comprehensive income (loss)" and, under the heading of "Non-controlling interests" include, €-1,621 million in "Other" and €1,480 million in "Accumulated other comprehensive income (loss)".

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.



Condensed consolidated statements of cash flows for the six months ended June 30, 2023 and 2022

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)			
	Notes	June 2023	June 2022 ⁽¹⁾
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)		(7,503)	20,481
Of which hyperinflation effect from operating activities	2.1	970	2,044
1. Profit for the period		4,144	3,074
2. Adjustments to obtain the cash flow from operating activities		5,868	5,543
Depreciation and amortization		676	652
Other adjustments		5,192	4,891
3. Net increase/decrease in operating assets		(58,259)	(30,455)
Financial assets held for trading		(28,423)	4,828
Non-trading financial assets mandatorily at fair value through profit or loss		(487)	(243)
Other financial assets designated at fair value through profit or loss		(91)	89
Financial assets at fair value through other comprehensive income		1,619	(3,130)
Financial assets at amortized cost		(29,117)	(30,617)
Other operating assets		(1,760)	(1,382)
4. Net increase/decrease in operating liabilities		43,235	43,849
Financial liabilities held for trading		29,643	9,232
Other financial liabilities designated at fair value through profit or loss		1,199	(368)
Financial liabilities at amortized cost		12,640	34,867
Other operating liabilities		(247)	119
5. Collection/Payments for income tax		(2,490)	(1,530)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)		(630)	(3,537)
Of which hyperinflation effect from investing activities	2.1	389	489
1. Investment		(778)	(3,766)
Tangible assets		(464)	(1,442)
Intangible assets		(310)	(288)
Investments in joint ventures and associates		(5)	(53)
Subsidiaries and other business units		—	(1,389)
Non-current assets classified as held for sale and associated liabilities	20	—	(594)
Other settlements related to investing activities		—	—
2. Divestments		148	228
Tangible assets		4	11
Intangible assets		—	—
Investments in joint ventures and associates		31	93
Subsidiaries and other business units		6	—
Non-current assets classified as held for sale and associated liabilities	20	106	125
Other collections related to investing activities		—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)		(289)	(4,502)
Of which hyperinflation effect from financing activities	2.1	—	—
1. Payments		(3,425)	(5,016)
Dividend distribution (shareholders remuneration)		(1,857)	(1,463)
Subordinated liabilities		(249)	(730)
Treasury stock amortization		(32)	—
Treasury stock acquisition		(891)	(2,423)
Other items relating to financing activities		(397)	(400)
2. Collections		3,136	514
Subordinated liabilities		2,659	—
Treasury shares increase		—	—
Treasury shares disposal		478	514
Other items relating to financing activities		—	—
D) EFFECT OF EXCHANGE RATE CHANGES		524	1,268
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		(7,898)	13,709
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		79,756	67,799
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)		71,858	81,508

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE PERIOD (Millions of Euros)			
	Notes	June 2023	June 2022 ⁽¹⁾
Cash	8	6,951	6,671
Balance of cash equivalent in central banks	8	58,888	66,302
Other financial assets	8	6,019	8,535
Less: Bank overdraft refundable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8	71,858	81,508

(1) Presented solely and exclusively for comparison purposes (see Note 1.3).

The Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023.



Notes to the condensed interim consolidated financial statements as of and for the six months ended June 30, 2023

1. Introduction, basis for the presentation of the condensed interim consolidated financial statements and other information

1.1. Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "the Bank", "BBVA" or "BBVA, S.A.") is a private-law entity subject to the laws and regulations governing banking entities operating in Spain. It carries out its activity through branches and agencies across the country and abroad.

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4, Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own separate financial statements, the Bank is required to prepare consolidated financial statements comprising all consolidated subsidiaries of the Group.

The consolidated financial statements of the BBVA Group for the year ended December 31, 2022 were approved by the shareholders at the Annual General Meeting ("AGM") on March 17, 2023.

1.2. Basis for the presentation of the condensed interim consolidated financial statements

The BBVA Group's condensed interim consolidated financial statements (hereinafter, the "Consolidated Financial Statements") as of and for the six months ended June 30, 2023 are presented in accordance with the International Accounting Standard "Interim Financial Reporting" (hereinafter "IAS 34"), pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information and taking into account the requirements of Circular 3/2018, of June 28, of the Spanish Securities and Exchange Commission (CNMV) and have been approved by the Board of Directors at its meeting held on July 27, 2023. In accordance with IAS 34, the interim financial information is prepared solely for the purpose of updating the last annual consolidated financial statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in those consolidated financial statements.

Therefore, the Consolidated Financial Statements do not include all information required by a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS"), consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated financial statements of the Group as of and for the year ended December 31, 2022.

The aforementioned annual consolidated financial statements were prepared in accordance with the EU-IFRS applicable as of December 31, 2022, considering the Bank of Spain Circular 4/2017, as well as its successive amendments, and with any other legislation governing financial reporting which is applicable and with the format and mark-up requirements established in the EU Delegated Regulation 2019/815 of the European Commission.

The Consolidated Financial Statements were prepared applying principles of consolidation, accounting policies and valuation criteria, which, as described in Note 2, are the same as those applied in the consolidated financial statements of the Group as of and for the year ended December 31, 2022, except for the new Standards and Interpretations that became effective from January 1, 2023 (see Note 2.1), so that they present fairly the Group's consolidated equity and financial position as of June 30, 2023, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the six months ended June 30, 2023.

The Consolidated Financial Statements and Notes were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. They include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the entities in the Group.

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

The amounts reflected in the Consolidated Financial Statements are presented in millions of euros, unless it is more appropriate to use smaller units. Therefore, some items that appear without a balance in these Consolidated Financial Statements are due to how the units are expressed. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the totals appearing in some tables are not the exact arithmetical sum of their component figures.

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The percentage changes in amounts have been calculated using figures expressed in thousands of euros.

When determining the information to disclose about various items of the Consolidated Financial Statements, the Group, in accordance with IAS 34, has taken into account their materiality in relation to the Consolidated Financial Statements.

1.3. Comparative information

The information included in the Consolidated Financial Statements and the Notes relating to December 31, 2022 and June 30, 2022, is presented for the purpose of comparison with the information for June 30, 2023.

IFRS 17 "Insurance Contracts"

As of January 1, 2023, IFRS 17 "Insurance Contracts" replaced IFRS 4 in the accounting treatment of insurance contracts. IFRS 17 is mandatory for financial years beginning on January 1, 2023, with comparative information of at least one year, that is, for the BBVA Group, from January 1, 2022, therefore the information for the six months ended June 30, 2022 and as of December 31, 2022 has been restated (see Note 2.1 and Appendix V).

1.4. Seasonal nature of income and expense

The nature of the most significant activities carried out by the BBVA Group's entities is mainly related to typical activities carried out by financial institutions, and are not significantly affected by seasonal factors within the same year.

1.5. Responsibility for the information and for the estimates made

The information contained in the BBVA Group's Consolidated Financial Statements is the responsibility of the Group's Directors.

Estimates were required to be made at times when preparing these Consolidated Financial Statements in order to calculate the recorded or disclosed amount of some assets, liabilities, income, expense and commitments. These estimates relate mainly to the following:

- Loss allowances on certain financial assets (see Notes 6, 12, 13 and 15).
- The assumptions used to quantify certain provisions (see Notes 22 and 23) and for the actuarial calculation of post-employment benefit liabilities and other commitments (see Note 24).
- The useful life and impairment losses of tangible and intangible assets (see Notes 16, 17 and 20).
- The valuation of goodwill and price allocation of business combinations (see Note 17).
- The fair value of certain unlisted financial assets and liabilities (see Notes 6, 7, 9, 10, 11 and 12).
- The recoverability of deferred tax assets (see Note 18).

The significant prevailing geopolitical and economic uncertainties (see Note 6.1) entail a greater complexity in developing reliable estimations and applying judgment. Estimates have been made on the basis of the best available information on the matters analyzed, as of June 30, 2023. However, it is possible that events may take place subsequent to such date which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the corresponding consolidated income statement.

During the six-month period ended on June 30, 2023 there have been no other significant changes in the estimates made at the end of the 2022 financial year, other than those indicated in these Consolidated Financial Statements.

1.6. Separate condensed interim financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain, as well as its successive amendments, and following other regulatory requirements of financial information applicable to it).

Appendix I, attached to these condensed Consolidated Financial Statements, shows the interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of and for the six-months ended June 30, 2023.

2. Principles of consolidation, accounting policies, measurement bases applied and recent IFRS pronouncements and interpretations

The accounting policies and methods applied for the preparation of the Consolidated Financial Statements do not differ significantly to those applied in the consolidated financial statements of the Group for the year ended December 31, 2022 (Note 2), except for the entry into force of new standards and interpretations in the year 2023.

2.1. Standards and interpretations that became effective in the first six months of 2023

Entry into force of IFRS 17 – Insurance contracts

Initial application

IFRS 17 has superseded IFRS 4 as the accounting standard applicable to the recognition, measurement and presentation of contracts that transfer significant insurance risk, based on a model that uses updated assumptions at each reporting period. The Group has applied IFRS 17 to "insurance contracts" as of January 1, 2023. As IFRS 17 requires at least one year of comparative information, the financial information has been restated from January 1, 2022 to December 31, 2022 (see Appendix V).

The application of IFRS 17 has not had a significant impact on the consolidated financial statements of the BBVA Group (see Appendix V). The main differences in accounting come from long-term contracts, and have been recorded in accumulated other comprehensive income (loss) and retained earnings. In short-term contracts there are no significant differences in their accounting with respect to the previous situation, nor a significant equity impact in initial application. The impact on the Group of "onerous" products has been not significant.

During 2022, a generalized neutral effect has been observed in the results, comparing those expressed under IFRS 4 with those restated under IFRS 17, except in specific cases, affecting reserves in the initial application. For its part, the evolution of interest rates during 2022 included, in other accumulated comprehensive income (loss), the net effect of the change in the fair value of the liabilities under insurance and reinsurance contracts and the associated financial assets.

IFRS 17 has introduced substantial changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability among entities. For this reason, the BBVA Group has developed an accounting policy on insurance contracts under IFRS 17 and an operational guide to govern the calculation process, which seeks to ensure adequate control in the preparation of the aforementioned financial information.

This note includes a non-exhaustive summary of the main judgments and estimates, as well as the accounting policy options chosen.

Grouping and classification

The BBVA Group groups insurance contracts taking into account whether they are subject to similar risks and are managed jointly, their profitability or onerousness, and their year of issuance or cohort, grouping by this last criterion the contracts issued in the calendar year, i.e., between January 1 and December 31 of each year. In general, the Group classifies the profitability of contracts into two groups: onerous contracts, and non-onerous contracts or contracts without a significant possibility of becoming onerous¹.

Since the Group has chosen the fair value transition approach, for long-term contracts issued prior to the transition date (January 1, 2022), it has not been necessary to aggregate the contracts by previous cohorts. For contracts issued after the transition date, the Group classifies them by year of issuance, and therefore, the Group has not accepted the exception provided for in the adoption of the standard by the European Union on annual cohorts in products with matched cash flows².

The Group has evaluated whether a significant insurance risk from another party is accepted in its contracts, agreeing to compensate the holder of the insurance policy if an uncertain future event occurs that affects it adversely. From this evaluation it has been concluded that all the insurance contracts that were under the scope of IFRS 4 meet the definition of insurance contract and therefore, the introduction of IFRS 17 does not imply any reclassification, with the exception of certain insurance products of BBVA Seguros, S.A de Seguros y Reaseguros, which do not transfer significant insurance risk, and therefore, are valued under IFRS 9.

Valuation methods

The Group has carried out an analysis of the limits of insurance and reinsurance contracts under IFRS 17, separately, applying the General Model (Building Block Approach) by default to all contracts, except those eligible to be valued by the Simplified Model (Premium Allocation Approach), or the Variable Fee Approach.

The General Model requires that insurance contracts are valued for the total of:

- fulfillment cash flows, which comprise the estimation of future cash flows discounted to reflect the time value of money, the financial risk associated, and a risk adjustment for non-financial risk that would represent the compensation required for the uncertainty associated with the amount and timing of the expected cash flows;
- and the contractual service margin (CSM), which represents the expected unearned profit from insurance contracts, which will be recognized in the entity's income statement as the service is provided in the future, instead of being recognized at the time of the estimation.

The amount recognized in the balance sheet for each group of insurance contracts measured under this model comprises the liability for remaining coverage, which includes the aforementioned fulfillment cash flows and margin, and the liability for incurred claims, which includes the cash flows from related to claims that have occurred, but have not been paid, discounted to reflect the time value

¹ There is the possibility of defining three or more onerous groups.

² Article 2 of Regulation (EU) 2021/2036 of the Commission of November 19, 2021.

of money, the financial risk associated with future cash flows, and a risk adjustment for non-financial risk that would represent the compensation required by the uncertainty associated with the amount and timing of the expected cash flows.

The BBVA Group has defined and identified for each group of contracts the hedging units to be used for the release to profit or loss of the contractual service margin, in accordance with IFRS 17, and subsequent interpretations issued by the Transition Resource Group for IFRS 17 and the IFRIC. Furthermore, the Group has chosen the accounting policy option of not changing the treatment of accounting estimates made in previous interim closings.

The Group used the Simplified Model in the valuation of the liability for remaining coverage of contracts with a coverage period of one year or less, or in those contracts with a duration of more than one year but which are not expected to have a material valuation different from that of the General Model. Under this model, the liability for remaining coverage is made up of the premiums received (collected), less the cash flows for the acquisition of the insurance paid, plus or minus the premiums or expected acquisition cash flows recorded in the income statement, respectively. The income statement recording is carried out on a linear basis throughout the coverage period of the contract, in the event that the accrual of income is also accrued. By default, it has chosen to defer acquisition expenses, although there is an option to recognize such expenses when they are incurred. In turn, the groups of contracts valued under this model have a liability for incurred claims calculated in a manner similar to that of the General Model.

With regard to the liabilities under insurance and reinsurance contracts held as of January 1, 2023, approximately 92% correspond to long-term commitments valued by the General Model, and the remaining 8% to short-term contracts, which have been valued by the Simplified Model, the same as the ceded reinsurance assets. As of that date, the contracts valued by the Variable Fee Approach represent a residual amount in the Group.

Discount rate

The methodology used to obtain the discount rate differs according to the entity and portfolio to which it is applied, highlighting mainly the cases of the companies in Spain and Mexico. In the first case, the top-down approach has been mainly applied and it has been verified that the Internal Rate of Return (hereinafter "IRR") of the entity's asset portfolio converges with the IRR of a reference portfolio from which the EIOPA (European Insurance and Occupational Pensions Authority) fundamental spread is discounted for. In the second case, the top-down approach has been used for immunized portfolios, eliminating the spread for credit risk through the EIOPA fundamental spread. However, in non-immunized portfolios, the bottom-up approach has been used, using the swap curve as the risk-free curve.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation required for bearing uncertainty about the amount and timing of the associated cash flows. To estimate the non-financial risk adjustment, the Group has used its own methodologies based on calculations of the Value at Risk (VaR) of the commitments associated with the Life and Non-Life businesses.

Onerosity

The Group has classified the contracts valued under the General Model into onerous groups, considering the fulfillment cash flows, acquisition expenses and any other attributable cash flow. The evaluation is normally carried out contract by contract, except in those cases in which it can be grouped into sets of homogeneous contracts. With contracts valued by the Simplified Model, by default it is assumed that they are not onerous at their initial recognition, unless there are facts and circumstances that indicate otherwise.

In the same way as the contractual service margin, which represents the estimated future benefit of the insurance contract, the loss component is the estimated loss of the contract. The accounting record of these two concepts has a different temporality: while the margin is deferred throughout the duration of the contract according to the contractual limits, the loss component is recognized in the income statement as soon as it is known. Throughout the life of a contract, the assumptions used to project future cash flows may change and, consequently, the expected return on a contract may increase or decrease. This means that a group of contracts initially classified as onerous may become more onerous, or on the contrary, in the subsequent measurement the assumptions used in the cash flows may change so much that the previously recognized loss could be reversed.

Results

In general, for the presentation of the financial income or expenses from insurance contracts that arise as a result of the change in the discount rate, both due to the effect of the time value of money as well as the effect of financial risk, the Group has chosen the accounting policy option of disaggregating these financial income or expenses from insurance contracts between recording them in the "Net interest income" and "Accumulated other comprehensive income (loss)", in order to minimize accounting asymmetries in the valuation and recognition of financial investments under IFRS 9 and insurance contracts under IFRS 17.

The Group has chosen to disaggregate the changes in the risk adjustment between financial and non-financial, so that the change in the value of the risk adjustment derived from the effect of the time value of money, and changes in it, is recorded as a financial income or expense from insurance contracts. Insurance revenue is recognized over the period the entity provides insurance coverage, excluding any investment component.

Transition

Of liabilities under insurance contracts held as of the transition date, January 1, 2022, those corresponding to long-term commitments to which the General Model has been applied, have been valued in transition using the fair value approach, given the impracticability of applying IFRS 17 retroactively, given the disproportionate cost and difficulty of obtaining the historical data necessary to apply a full retrospective approach given the age of these products on the balance sheet and their remaining duration. The fair value approach contemplates the determination of the contractual service margin or the loss component of the liability for remaining coverage, based on the difference between the fair value based on the requirements of IFRS 13 and the present value of the fulfillment cash flows based on IFRS 17. The application of the fair value in transition criteria allows contracts issued more than one year apart to be included in the same group and therefore not to differentiate by cohorts, an option that the Group has opted for. On the other hand, the short-term contracts valued by the Simplified Model, in transition have been valued using the full retrospective approach.

Redesignation of financial assets

On the date of initial application of IFRS 17, as the BBVA Group was already applying IFRS 9, it has accepted the option of reassessing the classification of financial assets associated with contracts within the scope of IFRS 17, redesignating as of January 1, 2022 certain financial assets previously classified in the portfolio of "Financial assets at amortized cost" to "Financial assets at fair value through other comprehensive income (loss)", considering that the business model that best suits the objectives of the insurance contracts to which these investments are subject is to obtain the contractual cash flows and sell such financial assets (see Appendix V).

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"

In February 2021 the International Accounting Standards Board (hereinafter "IASB") issued amendments to this IAS with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the financial statements. The amendments to IAS 1 require entities to disclose accounting policies that are material rather than significant accounting policies and provide guidance to help apply the concept of materiality in financial statement disclosures. The amendments to IAS 8 introduce clarifications to distinguish between the concept of accounting estimate and that of accounting policy. The amendments have entered into force on January 1, 2023, with no significant impact on the consolidated financial statements of the BBVA Group.

Amendment IAS 12 – Income taxes

The IASB issued an amendment to IAS 12 to clarify that entities should recognize deferred tax arising on transactions such as leases or decommissioning obligations. The amendment requires entities to recognize a deferred tax asset and liability separately when the temporary differences arising in the recognition of an asset and a liability are the same, not being possible to apply the initial recognition exception provided for in the standard. The purpose of the amendments has been to reduce the diversity in the presentation of information on deferred taxes in said transactions. The modification has entered into force on January 1, 2023, although its early application was allowed, with no significant impact on the consolidated financial statements of the BBVA Group.

2.2. Standards and interpretations issued but not yet effective as of June 30, 2023

The following new International Financial Reporting Standards together with their Interpretations or Modifications had been published at the date of preparation of the Consolidated Financial Statements, which are not mandatory as of June 30, 2023. Although in some cases the IASB allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

Amendment to IFRS 16 "Leases"

The IASB has issued an amendment to IFRS 16 that clarifies the requirements for sale-and-leaseback transactions. The new requirements established that the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. No significant impact is expected on the BBVA Group's consolidated financial statements.

Amendment to IAS 12 - International Tax Reform Pillar Two Model Rules

On December 20, 2021, the OECD published an international tax initiative in which it is articulated a framework of rules ("GloBE - Global Anti-Base Erosion Rules") for the application of the "Pillar Two Model Rules", establishing a supplementary tax system that makes the effective rate of taxation of certain multinational groups in certain jurisdiction reach the minimum rate of 15%.

In May 2023, the IASB has published an amendment to IAS 12 to clarify the application of this initiative on the results derived from the tax legislation enacted or substantially enacted in each country to apply the model rules of Pillar Two in which:

- sets a temporary exception to the accounting of deferred taxes in relation to the implementation of the rules of the Pillar 2 model.

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- requires qualitative and quantitative disclosures that allow users to understand the entities' exposure to taxes that may arise from this initiative and/or the entity's progress in its implementation.

The European Union has published a Directive incorporating this initiative into European law. As of June 30, 2023, Spain has not yet transposed the national tax legislation. The BBVA Group is working on analyzing the implications derived from this new regulation.

These amendments to IAS 12 will become effective immediately upon their publication and adoption in the EU.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking and asset management. The Group also operates in the insurance sector.

The following information is detailed in the Appendices to the consolidated financial statements of the Group for the year ended December 31, 2022:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The BBVA Group's activities are mainly located in Spain, Mexico, Turkey and South America, with an active presence in other areas of Europe, the United States and Asia (see Note 5).

Significant transactions in the first six months of 2023

During the first six months of 2023, no significant operations have been carried out.

Significant transactions in 2022

Investments

Announcement of the agreement with Neon Payments Limited

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

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

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

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

On November 15, 2021, BBVA announced a voluntary takeover bid (hereinafter "VTB") addressed to the 2,106,300,000 shares³ not controlled by BBVA, which represented 50.15% of the total share capital of Türkiye Garanti Bankası A.Ş (hereinafter "Garanti BBVA"). BBVA submitted for authorization an application of the VTB to the supervisor of the securities markets in Turkey (Capital Markets Board, hereinafter "CMB") on November 18, 2021.

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

On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA's share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390

³ All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

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million⁴ including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired).

The transaction resulted in a capital gain of approximately €924 million (including the impacts after the application of IAS 29, see Note 2.2.19 of the consolidated financial statements of the Group for the year ended December 31, 2022). An amount of €3,609 million was recorded under the heading "Other reserves" and there was a reclassification to "Accumulated other comprehensive income (loss)" corresponding to the 36.12% acquired from minority interests to "Accumulated other comprehensive income (loss)" of the parent company for an amount of €-2,685 million. The total derecognition associated with the transaction of the heading "Minority interests" considering "Other items" and "Accumulated other comprehensive income (loss)" amounted to €-2,541 million.

The percentage of total share capital of Garanti BBVA owned by BBVA (after the completion of the VTB on May 18, 2022) is 85.97%.

4. Shareholder remuneration system

The Annual General Shareholder's Meeting of BBVA held on March 17, 2023, approved, under item 1.3 of the Agenda, a cash distribution against the 2022 results as additional shareholder remuneration for the 2022 fiscal year, for an amount equal to €0.31 (€0.2511 net of withholding tax) per outstanding BBVA share entitled to participate in this distribution, which was paid on April 5, 2023. The total amount paid amounted to €1,860 million (see Note 46).

Share buyback program

On March 17, 2023, after receiving the required authorization from the European Central Bank, BBVA announced through an Inside Information notice the execution of a time-scheduled buyback program for the repurchase of own shares in accordance with the provisions of Regulation (EU) No. 596/2014 of the Parliament Commission and Council of April 16, 2014 on market abuse and Commission Delegated Regulation (EU) No. 2016/1052 of March 8, 2016, aimed at reducing BBVA's share capital by a maximum monetary amount of €422 million. The execution was carried out internally by the Company, executing the trades through BBVA.

By means of an Other Relevant Information notice dated April 21, 2023, BBVA announced the completion of the share buyback program upon reaching the maximum monetary amount, having acquired 64,643,559 own shares, between March 20 and April 20, 2023, representing, approximately, 1.07% of BBVA's share capital as of said date.

On June 2, 2023, BBVA notified through an Other Relevant Information notice a partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 17, 2023, under item 3 of the agenda through the reduction of BBVA's share capital in a nominal amount of €31,675,343.91 and the consequent redemption, charged to unrestricted reserves, of 64,643,559 own shares of €0.49 par value each acquired derivatively by BBVA in execution of the share buyback program scheme and which were held in treasury shares (see Note 25).

BBVA requested on July 27, 2023 to the European Central Bank, the correspondent supervisory authorization in order to carry out a buyback program of BBVA shares up to €1,000 million. Its execution, if the authorization requested is finally granted, would be subject to the adoption of the correspondent corporate resolutions and to the communication of the specific terms and conditions of the share buyback program before its execution. This share buyback program would be considered to be an extraordinary shareholder distribution and is therefore not included in the scope of the ordinary distribution policy.

5. Operating segment reporting

Operating segment reporting represents a basic tool for monitoring and managing the different activities of the BBVA Group. In preparing the information by operating segment, the starting point is the lowest-level units, which are aggregated in accordance with the organizational structure determined by the Group's Management to create higher-level units and, finally, the reportable operating segments themselves.

As of June 30, 2023, the structure of the information by operating segments reported by the BBVA Group remains the same as that of the closing of 2022 financial year.

The BBVA Group's operating areas or segments are summarized below:

- Spain includes mainly the banking, insurance and asset management businesses that the Group carries out in Spain.
- Mexico includes banking, insurance and asset management businesses in this country as well as the activity that BBVA Mexico carries out through its agency in Houston.
- Turkey reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

⁴ Using the effective exchange rate of 16.14 Turkish lira per euro.

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- South America includes banking, financial, insurance and asset management activity that are carried out mainly in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
- Rest of business mainly incorporates the wholesale activity carried out in Europe (excluding Spain), the United States, and the BBVA branches located in Asia.

The Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function, management of structural exchange rate positions; portfolios whose management is not linked to customer relationships, such as financial and industrial holdings; stakes in Funds & Investment Vehicles in tech companies; certain tax assets and liabilities; funds for employee commitments; goodwill and other intangible assets, as well as the financing of such portfolios and assets.

The breakdown of the BBVA Group's total assets by operating segments and the Corporate Center as of June 30, 2023 and December 31, 2022, is as follows:

Total Group assets by operating segments (Millions of Euros)		
	June 2023	December 2022 ⁽¹⁾
Spain	452,360	427,116
Mexico	164,758	142,557
Turkey	67,324	66,036
South America	67,541	61,951
Rest of Business	54,242	49,952
Subtotal assets by operating segments	806,225	747,613
Corporate Center and adjustments	(43,768)	(35,520)
Total assets BBVA Group	762,456	712,092

(1) Restated balances according to IFRS 17 - Insurance contracts, which had no material impacts to that date (see Note 2.1).

The following table sets forth the main margins and profit by operating segment and the Corporate Center for the six months ended June 30, 2023 and 2022:

	Operating Segments						Corporate Center and adjustments ⁽¹⁾
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	
June 2023							
Net interest income	11,410	2,544	5,264	980	2,503	260	(140)
Gross income	14,148	3,630	6,774	1,480	2,415	565	(716)
Operating profit /(loss) before tax	6,122	1,821	3,585	787	780	272	(1,123)
Attributable profit (loss) ⁽²⁾	3,878	1,231	2,614	525	367	212	(1,072)
June 2022 ⁽³⁾							
Net interest income	8,538	1,758	3,686	1,153	1,849	155	(64)
Gross income	11,417	3,050	4,813	1,335	1,982	384	(147)
Operating profit /(loss) before tax	4,724	1,404	2,446	633	745	162	(666)
Attributable profit (loss) ⁽²⁾	2,957	801	1,781	59	418	128	(230)

(1) The adjustments include the impact of the purchase of offices in Spain in 2022 from the transaction with Merlin Properties (see Note 16).

(2) See Note 46.

(3) Restated balances according to IFRS 17 - Insurance contracts, which had no material impacts to that date (see Note 2.1).

The accompanying Interim Consolidated Management Report presents the consolidated income statements, as well as the main figures of the consolidated balance sheets by operating segments.

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of June 30, 2023 do not differ significantly from those included in Note 7 of the consolidated financial statements of the Group for the year ended December 31, 2022.

6.1. Risk factors

The BBVA Group has processes in place for identifying risks and analyzing scenarios in order to enable the Group to manage risks in a dynamic and proactive way.

The risk identification processes are forward looking to seek the identification of emerging risks and take into account the concerns of both the business areas, which are close to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are identified and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyses and stress testing and considers the controls to which the risks are subjected.

As part of this process, a forward projection of the Risk Appetite Framework (hereinafter, "RAF") variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, measures are taken to seek to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Group's business, including the below and those mentioned in Note 7.1 to the consolidated financial statements of the Group for the year ended December 31, 2022:

– Macroeconomic and geopolitical risks

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey. Additionally, the Group is exposed to sovereign debt, especially in these geographical areas.

The global economy is currently facing a number of extraordinary challenges. The war in Ukraine and the sanctions from and against Russia have led to significant disruption, instability and volatility in global markets, as well as higher inflation and lower economic growth. The economic effects are being felt mainly through higher commodity prices, mainly of energy commodities, despite the moderation observed in the last months. While the Group's direct exposure to Ukraine and Russia is limited, the war could adversely affect the Group's business, financial condition and results of operations.

Geopolitical and economic risks have also increased lately as a result of trade tensions between the United States and China, Brexit, and the rise of populism, among other factors. Growing tensions may lead, among other things, to a deglobalization of the world economy, an increase in protectionism, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could materially and adversely affect the Group's business, financial condition and results of operations.

Moreover, the world economy could be vulnerable to other factors such as the aggressive interest rate hikes by central banks due to the high inflationary pressures, which could cause a significant growth slowdown - and, even, a sharp economic recession - as well as episodes of financial stress, such as that recently observed in the banking sector.

The central banks of many developed and emerging economies have significantly increased policy rates over the last year and monetary conditions are likely to remain restrictive for a relatively long period of time. The US Federal Reserve (FED) and the European Central Bank (the ECB) have increased their policy interest rates in an aggressive way. Although uncertainty is high, policy rates (refinancing rates in the case of the ECB) may remain high, around 5.50% in the United States and 4.50% in the Eurozone for a relatively long period of time. Furthermore, the reduction of central bank balance sheets in both regions as well as the recent turmoil in the banking sector are expected to contribute to the monetary tightening process.

The Group's results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in both interest revenue and interest expenses. In addition, increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of borrowers and other counterparties.

The Group is exposed, among others, to the following general risks with respect to the economic and institutional environment in the countries in which it operates: a deterioration in economic activity in the countries in which it operates, including recession scenarios; more persistent inflationary pressures, which could trigger a more severe tightening of monetary conditions; stagflation due to more intense or prolonged supply crises; changes in exchange rates; an unfavorable evolution of the real estate market; very high oil and gas prices, which could have a negative impact on disposable income levels in areas that are net energy importers, such as Spain or Turkey, to which the Group is particularly exposed; changes in the institutional environment of the countries in which the Group operates, which could give rise to sudden and sharp drops in GDP and/or changes in regulatory or government policy, including in terms of exchange controls and restrictions on the distribution of dividends or the imposition of new taxes or charges; growth in the public debt or in the external deficit could lead to a downward revision of the credit ratings of the sovereign debt and even a possible default or restructuring of such debt; and episodes of volatility in the financial markets, which could cause significant losses for the Group. In particular, in Argentina, overall macroeconomic conditions have continued to deteriorate, increasing the risk of economic and financial turbulence before the presidential elections scheduled for the last quarter of the year. Further, political uncertainty in Spain, where the recent general elections revealed a fragmented political landscape, could have a potential impact on Spain's economy.

Any of these factors may have a significant adverse impact on the Group's business, financial condition and results of operations.

– Risks relating to the political, economic and social conditions in Turkey

In May 2022, the Group increased its shareholding stake in Garanti BBVA (Turkey) from 49.85% to 85.97% following the completion of a voluntary takeover bid (see Note 3).

There are incipient signs of changes in the economic policy, in general, and monetary policy, in particular, since the general elections held in May 2023, which point to a gradual correction of the current macroeconomic distortions, especially the high external financing needs. Nonetheless, the situation remains unstable, characterized by a strong depreciation of the Turkish lira, high inflation, a significant trade deficit, depletion of the central bank's foreign reserves and high external financing costs. The recent earthquakes of February 2023 have deepened Turkey's economic struggles. In addition to the vast human losses, the earthquakes and the government response thereto have pressured the inflation as well as the external and tax balances. Continuing unfavorable economic conditions in Turkey may result in a potential deterioration in the purchasing power and creditworthiness of our clients (both individual and corporate). In addition, the low interest rates set by the Turkish central bank in a context of high inflation (despite the recent increase of rates), the policies affecting the banking sector and currency depreciation have affected and may continue to affect the Group's results.

Additionally, certain geopolitical factors, such as the war in Ukraine and other regional conflicts, and internal political developments, generate uncertainty about the evolution of the economy and could trigger scenarios of greater instability.

There can be no assurance that these and other factors will not have an impact on Turkey and will not cause further deterioration of the Turkish economy, which may have a material adverse effect on the Turkish banking sector and the Group's business, financial condition and results of operations in Turkey.

– Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. Regulatory activity in recent years has affected multiple areas, including changes in accounting standards; strict regulation of capital, liquidity and remuneration; bank charges (such as the new tax for banks recently implemented in Spain, see Note 36) and taxes on financial transactions; regulations affecting mortgages, banking products and consumers and users; recovery and resolution measures; stress tests; prevention of money laundering and terrorist financing; market abuse; conduct in the financial markets; anti-corruption; and requirements as to the periodic publication of information. Governments, regulatory authorities and other institutions continually make proposals to strengthen the resistance of financial institutions to future crises. Further, there is an increasing focus on the climate-related financial risk management capabilities of banks. Any change in the Group's business that is necessary to comply with any particular regulations at any given time, especially in Spain, Mexico or Turkey, could lead to a considerable loss of income, limit the Group's ability to identify business opportunities, affect the valuation of its assets, force the Group to increase its prices and, therefore, reduce the demand for its products, impose additional costs on the Group or otherwise adversely affect its business, financial condition and results of operations.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the Group could arise and might affect the regular course of its business.

– New business and operational risks and legal risks

New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorized disclosure, destruction or use of confidential information, as well as prevent the normal operation of the Group and impair its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a significant adverse impact on the Group's business, financial condition and results of operations.

Legal risks: The financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are frequently party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. The Group is also party to government procedures and investigations, such as those carried out by the antitrust authorities in certain countries which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others. In addition, the regulatory framework, in the jurisdictions in which the Group operates, is evolving towards a supervisory approach more focused on the opening of sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain judgments in favor of consumers handed down by national and supranational courts (with regards to matters such as credit cards and mortgage loans), have increased significantly in recent years and this trend could continue in the future. Legal and regulatory actions and proceedings faced by other financial institutions in relation to these and other matters, especially if such actions or proceedings result in favorable resolutions for the consumer, could also adversely affect the Group.

All of the above may result in a significant increase in operating and compliance costs or even a reduction of revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the procedural or management costs for the Group) could damage the Group's reputation, generate a knock-on effect or otherwise adversely affect the Group.

It is difficult to predict the outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and those that may arise in the future, including actions and proceedings relating to former Group subsidiaries or in respect of which the Group may have indemnification obligations. Any of such outcomes could be significantly adverse to the Group. In addition, a decision in any matter, whether against the Group or against another credit entity facing similar claims as those faced by the Group, could give rise to other claims against the Group. In addition, these actions and proceedings attract resources from the Group and may occupy a great deal of attention on part of the Group's management and employees.

As of June 30, 2023, the Group had €686 million in provisions for the proceedings it is facing (included in the line "Provisions for taxes and other legal contingencies" in the consolidated balance sheet) (see Note 23), of which €519 million correspond to legal contingencies and €167 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 which may otherwise affect the Group, whether individually or in the aggregate, if resolved in whole or in part adversely to the Group's interests, could have a material adverse effect on the Group's business, financial condition and results of operations.

Spanish judicial authorities are investigating the activities of *Centro Exclusivo de Negocios y Transacciones, S.L.* (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank. On July 29, 2019, the Bank was named as an investigated party (*investigado*) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could be constitutive of bribery, revelation of secrets and corruption. On February 3, 2020, the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings. Certain current and former officers and employees of the Group, as well as former directors, have also been named as investigated parties in connection with this investigation. The Bank has been and continues to be proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As of the date of the preparation of the Consolidated Financial Statements, no formal accusation against the Bank has been made.

This criminal judicial proceeding is in 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.

6.2. Credit risk

Credit risk arises from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party. The general principles governing credit risk management in the BBVA Group, as well as the credit risk management in the Group as of June 30, 2023 do not differ significantly from those included in Note 7 of the consolidated financial statements of the Group for the year ended December 31, 2022.

6.2.1. Support measures

Since the beginning of the pandemic, the Group offered COVID-19 support measures to its customers in all the geographical areas where it operates, consisting of both deferrals on existing loans and new public-guaranteed lending. Deferral support schemes have expired in all geographical areas. The measures adopted in 2022 which remain in force in 2023, relate to new government-guaranteed loans in Spain and Peru:

Spain:

- The Official Credit Institute (ICO by its Spanish acronym) published several support programs aimed at the self-employed, small and medium-sized enterprises and companies, through which a guarantee of between 60% and 80% was granted by the ICO (RDL Mar/2020, RDL Nov/2020, RDL 5/2021 and the Code of Good Practices).
- In March, 2022, the Council of Ministers agreed to modify the Code of Good Practices to make access conditions to aid more flexible given the difficulties of clients, which are facing sharp increases in costs due to their special exposure to tensions in the prices of energy and other raw materials.

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- As an additional measure of the Code of Good Practices, the Council of Ministers approved the agreement to establish the possibility of term extensions of ICO financing given to self-employed and companies, after June 30, 2022, after the expiry of the Temporary Framework of state support approved by the European Commission.

In addition, in March 2022, the Council of Ministers (RDL 6/2022) approved a line of financing with public guarantees of 70% and 80% of the principal amount for self-employed and enterprises in order to alleviate the liquidity tensions due to increases in energy prices and raw materials, available until December 2023.

Finally, on November 23, 2022, the Royal Decree-Law 19/2022, of November 22, was published. It amends the Code of Good Practices, establishes a new Code of Good Practices, regulated by Royal Decree Law 6/2012, easing the impact of interest rates hikes on mortgage loans agreements related to primary residences and provides for other structural measures aiming to ease access to lending. In November 30, 2022, the BBVA Board of Directors agreed the adherence to the new Code of Good Practices with effect from January 1, 2023. As of the date of the preparation of these consolidated financial statements herein, the number and amount of the transactions granted to clients in accordance with the new Code of Good Practices have been low.

Peru:

- There were public support programs such as Reactiva, Crecer or FAE aimed at companies and micro-enterprises providing a public guarantee ranging from 60% to 98% of the principal amount of loans, depending on the program and the type of company.
- In the framework of Emergency Order 023-2023, the Executive Power extended for three more months (until September 30, 2023) the validity and the deadline for the reprogramming of the Reactiva program, which expired in June 2023. The purpose of this measure is to help those companies that have not yet recovered from the economic losses.

6.2.2. Credit risk exposure

In accordance with IFRS 7 "Financial Instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the consolidated balance sheets as of June 30, 2023 and December 31, 2022 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to ensure compliance with payment obligations. The details are broken down by category of financial instruments:

Maximum credit risk exposure (Millions of Euros)					
	Notes	June 2023	Stage 1	Stage 2	Stage 3
Financial assets held for trading		102,376			
Equity instruments	9	4,247			
Debt securities	9	33,999			
Loans and advances	9	64,129			
Non-trading financial assets mandatorily at fair value through profit or loss		8,019			
Equity instruments	10	7,432			
Debt securities	10	313			
Loans and advances	10	274			
Financial assets designated at fair value through profit or loss	11	1,004			
Derivatives (trading and hedging)		60,371			
Financial assets at fair value through other comprehensive income		64,115			
Equity instruments	12	1,254			
Debt securities		62,835	61,981	834	21
Loans and advances to credit institutions	12	26	26	—	—
Financial assets at amortized cost		450,181	403,998	32,363	13,819
Debt securities		44,868	44,539	296	33
Loans and advances to central banks		6,753	6,753	—	—
Loans and advances to credit institutions		17,611	17,574	37	—
Loans and advances to customers		380,949	335,133	32,030	13,787
Total financial assets risk		686,066			
Total loan commitments and financial guarantees		210,578	201,767	7,742	1,069
Loan commitments given	30	155,009	149,846	4,999	164
Financial guarantees given	30	16,007	15,031	743	233
Other commitments given	30	39,561	36,890	1,999	672
Total maximum credit exposure		896,643			

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Maximum credit risk exposure (Millions of Euros)

	Notes	December 2022	Stage 1	Stage 2	Stage 3
Financial assets held for trading		70,763			
Equity instruments	9	4,404			
Debt securities	9	24,367			
Loans and advances	9	41,993			
Non-trading financial assets mandatorily at fair value through profit or loss		6,888			
Equity instruments	10	6,511			
Debt securities	10	129			
Loans and advances	10	247			
Financial assets designated at fair value through profit or loss	11	913			
Derivatives (trading and hedging)		53,101			
Financial assets at fair value through other comprehensive income		65,497			
Equity instruments	12	1,198			
Debt securities		64,273	63,425	822	26
Loans and advances to credit institutions	12	26	26	—	—
Financial assets at amortized cost		425,803	378,407	33,873	13,523
Debt securities		36,730	36,463	237	30
Loans and advances to central banks		4,420	4,420	—	—
Loans and advances to credit institutions		16,066	15,997	69	—
Loans and advances to customers		368,588	321,528	33,568	13,493
Total financial assets risk		622,965			
Total loan commitments and financial guarantees		192,568	181,427	9,993	1,147
Loan commitments given	30	136,920	130,459	6,283	177
Financial guarantees given	30	16,511	15,214	1,015	281
Other commitments given	30	39,137	35,753	2,695	689
Total maximum credit exposure		815,533			

The breakdown by geographical area and stage of the maximum credit risk exposure, the accumulated allowances recorded and the carrying amount of the loans and advances to customers at amortized cost as of June 30, 2023 and December 31, 2022 is shown below:

June 2023 (Millions of Euros)												
	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain ⁽¹⁾	212,447	187,043	17,650	7,754	(4,626)	(444)	(653)	(3,529)	207,821	186,599	16,997	4,225
Mexico	86,572	78,237	6,106	2,229	(2,879)	(1,138)	(586)	(1,155)	83,693	77,099	5,520	1,074
Turkey ⁽²⁾	37,440	31,591	4,013	1,836	(1,767)	(165)	(401)	(1,201)	35,673	31,426	3,612	635
South America ⁽³⁾	43,446	37,240	4,249	1,958	(1,907)	(316)	(380)	(1,212)	41,539	36,924	3,869	746
Others	1,044	1,022	12	10	(9)	—	(1)	(8)	1,035	1,022	11	2
Total ⁽⁴⁾	380,949	335,133	32,030	13,787	(11,188)	(2,063)	(2,020)	(7,105)	369,761	333,069	30,010	6,682
Of which: individual					(1,796)	(14)	(545)	(1,238)				
Of which: collective					(9,392)	(2,050)	(1,476)	(5,867)				

(1) Spain includes all the countries where BBVA, S.A. operates.

(2) Turkey includes all the countries in which Garanti BBVA operates.

(3) In South America, BBVA Group operates in Argentina, Colombia, Peru and Uruguay.

(4) 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 (PPA) and were originated mainly in the acquisition of Catalunya Banc S.A. (as of June 30, 2023, the remaining balance was €162 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the instrument or applied as allowances in the value of the financial instrument when the losses materialize.

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December 2022 (Millions of Euros)

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain ⁽¹⁾	214,066	186,977	19,621	7,468	(4,860)	(518)	(759)	(3,583)	209,206	186,459	18,862	3,885
Mexico	73,729	66,448	5,342	1,939	(2,496)	(955)	(475)	(1,066)	71,233	65,494	4,866	873
Turkey ⁽²⁾	39,547	32,755	4,436	2,356	(2,105)	(224)	(358)	(1,523)	37,443	32,531	4,078	833
South America ⁽³⁾	40,199	34,312	4,166	1,721	(1,768)	(318)	(345)	(1,105)	38,431	33,994	3,821	615
Others	1,047	1,035	3	9	(8)	—	—	(7)	1,039	1,035	3	2
Total ⁽⁴⁾	368,588	321,528	33,568	13,493	(11,237)	(2,014)	(1,938)	(7,284)	357,351	319,513	31,629	6,208
Of which: individual					(2,164)	(21)	(604)	(1,539)				
Of which: collective					(9,073)	(1,994)	(1,334)	(5,745)				

(1) Spain includes all the countries where BBVA, S.A. operates.

(2) Turkey includes all the countries in which Garanti BBVA operates.

(3) In South America, the BBVA Group operates in Argentina, Colombia, Peru and Uruguay.

(4) 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 (PPA) and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2022, the remaining balance was €190 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the instrument or applied as allowances in the value of the financial instrument when the losses materialize.

The breakdown by counterparty and product of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by type of product, classified in different headings of the assets as of June 30, 2023 and December 31, 2022 is shown below:

June 2023 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	6	—	250	1,939	869	3,064	3,198
Credit card debt	—	1	—	3	2,025	19,418	21,447	22,807
Commercial debtors		1,046	60	620	21,111	47	22,884	23,060
Finance leases	—	243	—	13	8,524	312	9,091	9,338
Reverse repurchase loans	664	—	7,200	102	—	—	7,966	7,989
Other term loans	3,483	21,376	4,330	8,494	131,254	146,383	315,320	324,562
Advances that are not loans	2,586	1,065	6,013	3,339	1,256	341	14,600	14,659
LOANS AND ADVANCES	6,734	23,736	17,603	12,821	166,109	167,369	394,371	405,613
By secured loans								
Of which: mortgage loans collateralized by immovable property		301	—	316	24,475	95,758	120,851	123,747
Of which: other collateralized loans	630	6,117	6,738	504	9,898	2,517	26,403	26,757
By purpose of the loan								
Of which: credit for consumption						56,629	56,629	60,568
Of which: lending for house purchase						96,389	96,389	97,853
By subordination								
Of which: project finance loans					7,607		7,607	8,215

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December 2022 (Millions of Euros)								
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	6	—	352	2,810	933	4,101	4,266
Credit card debt	—	1	—	3	2,029	16,865	18,898	19,985
Commercial debtors		1,021	24	370	24,510	85	26,011	26,254
Finance leases	—	195	—	13	8,040	322	8,571	8,857
Reverse repurchase loans	302	—	5,251	102	—	—	5,655	5,674
Other term loans	3,802	19,438	4,009	7,995	126,949	139,925	302,118	311,553
Advances that are not loans	296	232	6,772	3,930	1,256	217	12,702	12,758
LOANS AND ADVANCES	4,401	20,892	16,057	12,765	165,593	158,348	378,056	389,347
By secured loans								
Of which: mortgage loans collateralized by immovable property		297	—	337	23,970	95,056	119,659	122,719
Of which: other collateralized loans	498	5,382	5,073	548	6,635	2,209	20,345	20,675
By purpose of the loan								
Of which: credit for consumption						51,344	51,344	54,718
Of which: lending for house purchase						95,249	95,249	96,716
By subordination								
Of which: project finance loans					7,942		7,942	8,530

The value of guarantees received as of June 30, 2023 and December 31, 2022, is as follows:

Guarantees received (Millions of Euros)		
	June 2023	December 2022
Value of collateral	131,494	125,963
Of which: guarantees normal risks under special monitoring	12,138	12,826
Of which: guarantees impaired risks	3,696	3,440
Value of other guarantees	52,586	40,050
Of which: guarantees normal risks under special monitoring	4,683	4,963
Of which: guarantees impaired risks	1,086	984
Total value of guarantees received	184,081	166,013

6.2.3. Impaired secured loans

The breakdown of loans and advances, within the heading “Financial assets at amortized cost”, including their gross carrying amount, impaired loans and advances, and accumulated impairment, by counterparties as of June 30, 2023 and December 31, 2022, is as follows:

June 2023 (Millions of Euros)				
	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	6,753	—	(19)	— %
General governments	23,760	31	(25)	0.1 %
Credit institutions	17,611	—	(34)	— %
Other financial corporations	12,851	14	(30)	0.1 %
Non-financial corporations	170,722	5,679	(4,783)	3.3 %
Households	173,615	8,063	(6,350)	4.6 %
LOANS AND ADVANCES	405,313	13,787	(11,241)	3.4 %

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December 2022 (Millions of Euros)

	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	4,420	—	(19)	— %
General governments	20,922	38	(30)	0.2 %
Credit institutions	16,066	—	(35)	— %
Other financial corporations	12,802	17	(37)	0.1 %
Non-financial corporations	170,929	6,340	(5,495)	3.7 %
Households	163,936	7,098	(5,675)	4.3 %
LOANS AND ADVANCES	389,073	13,493	(11,291)	3.5 %

The changes during the six months ended June 30, 2023, and the year ended December 31, 2022 of impaired financial assets (financial assets and guarantees given) are as follows:

Changes in impaired financial assets and guarantees given (Millions of Euros)

	June 2023	December 2022
Balance at the beginning	14,521	15,467
Additions	5,132	8,084
Decreases ⁽¹⁾	(2,886)	(5,742)
Net additions	2,247	2,342
Amounts written-off	(1,958)	(2,771)
Exchange differences and other	(64)	(517)
Balance at the end	14,746	14,521

(1) Reflects the total amount of impaired loans derecognized from the consolidated balance sheet throughout the period as a result of monetary recoveries as well as mortgage foreclosures and real estate assets received in lieu of payment.

6.2.4. Measurement of Expected Credit Loss (ECL)

As of June 30, 2023, the models for calculating expected losses used by the Group to prepare the attached Consolidated Financial Statements do not differ significantly from those detailed in Note 7 to the consolidated financial statements of the Group for the year ended December 31, 2022, except for the application of the new scenarios derived from the macroeconomic and geopolitical situation in the first half of 2023.

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 June 30, 2023:

Positive scenario of GDP, unemployment rate and HPI for the main geographical areas

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2023	3.04%	11.03%	(0.77)%	3.28%	2.77%	6.27%	8.42%	8.89%
2024	2.59%	10.12%	1.00%	2.40%	3.53%	6.13%	4.37%	9.74%
2025	2.94%	8.86%	2.21%	2.37%	3.40%	4.14%	3.91%	10.94%
2026	2.84%	7.63%	2.21%	2.17%	3.47%	1.55%	3.82%	11.27%
2027	2.52%	6.75%	2.27%	2.05%	3.54%	0.88%	3.75%	11.30%
2028	2.24%	6.09%	1.93%	1.98%	3.41%	1.92%	3.66%	11.32%

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2023	4.22%	6.94%	1.30%	7.43%	2.55%	10.57%
2024	4.44%	6.54%	0.90%	9.43%	2.36%	11.10%
2025	2.64%	6.48%	2.69%	9.41%	2.34%	11.29%
2026	2.20%	6.49%	2.60%	8.43%	2.96%	11.24%
2027	2.35%	6.42%	2.64%	7.22%	3.16%	10.67%
2028	2.29%	6.42%	3.13%	6.11%	3.40%	10.52%

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Estimate of GDP, unemployment rate and HPI for the main geographical areas

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2023	2.42%	12.23%	(2.17)%	2.42%	2.88%	6.33%	4.50%	10.10%
2024	2.11%	11.73%	(0.61)%	1.76%	3.72%	6.01%	2.05%	11.13%
2025	2.86%	10.48%	1.67%	2.27%	3.56%	4.04%	3.75%	11.55%
2026	2.83%	9.20%	1.79%	2.14%	3.61%	1.59%	3.70%	11.50%
2027	2.52%	8.13%	1.82%	2.04%	3.67%	0.86%	3.62%	11.50%
2028	2.24%	7.33%	1.47%	1.96%	3.53%	1.90%	3.54%	11.50%

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2023	1.58%	7.08%	(3.50)%	8.28%	1.16%	10.76%
2024	2.65%	6.78%	(2.00)%	10.48%	1.48%	11.39%
2025	2.49%	6.70%	2.50%	10.15%	2.35%	11.58%
2026	2.20%	6.68%	2.50%	8.95%	2.96%	11.53%
2027	2.35%	6.60%	2.50%	7.70%	3.16%	10.92%
2028	2.29%	6.60%	3.00%	6.60%	3.39%	10.58%

Negative scenario of GDP, unemployment rate and HPI for the main geographical areas

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2023	1.82%	13.39%	(3.59)%	1.59%	3.01%	6.33%	0.51%	11.29%
2024	1.65%	13.28%	(2.02)%	1.11%	3.91%	5.80%	(0.58)%	12.57%
2025	2.77%	12.05%	1.08%	2.18%	3.72%	3.85%	3.62%	12.20%
2026	2.80%	10.77%	1.14%	2.09%	3.75%	1.51%	3.61%	11.73%
2027	2.48%	9.79%	1.06%	1.99%	3.80%	0.85%	3.55%	11.67%
2028	2.21%	8.83%	0.72%	1.92%	3.67%	1.90%	3.47%	11.66%

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2023	(1.06)%	7.22%	(8.25)%	9.09%	(0.24)%	10.96%
2024	0.86%	7.02%	(5.28)%	11.49%	0.56%	11.67%
2025	2.35%	6.93%	2.29%	10.88%	2.35%	11.85%
2026	2.20%	6.89%	2.37%	9.45%	2.96%	11.80%
2027	2.35%	6.80%	2.34%	8.17%	3.16%	11.21%
2028	2.29%	6.80%	2.85%	7.09%	3.39%	10.65%

Sensitivity to macroeconomic scenarios

A sensitivity exercise has been carried out on the expected losses due to variations in the key hypotheses as they are the ones that introduce the greatest uncertainty in estimating such losses. As a first step, GDP and the House Price Index have been identified as the most relevant variables. These variables have been subjected to shocks of +/- 100 bps in their entire window with impact of the macro models. Independent sensitivities have been assessed, under the assumption of assigning a 100% probability to each determined scenario with these independent shocks.

Variation in expected loss is determined both by re-staging (that is: in worse scenarios due to the recognition of lifetime credit losses for additional operations that are transferred to stage 2 from stage 1 where 12 months of losses are valued; or vice versa in improvement scenarios) as well as variations in the collective risk parameters (PD and LGD) of each financial instrument due to the changes defined in the macroeconomic forecasts of the scenario. The variation in the expected loss for the Group and the main portfolios and geographical areas is shown below:

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Expected loss variation as of June 2023 ⁽¹⁾

GDP	BBVA Group				Spain			Mexico			Turkey		
	Total Portfolio	Retail	Companies	Debt securities	Total Portfolio	Companies	Retail	Total Portfolio	Companies	Retail	Total Portfolio	Companies	Retail
-100 bps	238	165	66	5	118	56	60	79	3	74	23	7	15
+100 bps	(206)	(147)	(51)	(5)	(92)	(41)	(49)	(75)	(3)	(70)	(20)	(7)	(12)
Housing price													
-100 bps						1	26			3			
+100 bps						(1)	(25)			(3)			

(1) Last available data as of May 31, 2023.

Additional adjustments to expected losses measurement

To estimate expected losses, what is described in Note 7 of the 2022 consolidated financial statements on individual and collective estimates of expected losses must be taken into account, as well as macroeconomic estimates.

The Group periodically reviews its individual estimates and its models for the collective estimate of expected losses as well as the effect of macroeconomic scenarios on them. In addition, the Group may supplement the expected losses to account for the effects that may not be included, either by considering additional risk factors, or by the incorporation of sectorial particularities or particularities that may affect a set of operations or borrowers, following a formal internal approval process established for this purpose.

Thus, in Spain, during 2021 and 2022, the Loss Given Default (LGD) of certain specific operations considered unlikely to pay was reviewed upwards, with a remaining adjustment as of June 30, 2023 of €388 million, without significant variation since the end of the year 2022. In addition, due to the earthquakes that affected an area in the south of Turkey, during the month of February 2023 the classification of the credit exposure recorded in the five most affected cities was reviewed, which led to its reclassification to Stage 2. As of June 30, 2023 the amounts recorded in Stage 2 were €472 million on-balance sheet and €478 million off-balance sheet, with allowances for losses of approximately €56 million at contract level.

On the other hand, the complementary adjustments pending allocation to specific operations or customers that are in force as of June 30, 2023 total €158 million, of which €60 million correspond to BBVA, S.A., €85 million to Mexico, €2 million to Peru, €8 million to Colombia and €2 million to Chile. Compared to December 31, 2022, the complementary adjustments pending allocation to specific operations or customers totaled €302 million, of which €170 million correspond to BBVA, S.A., €92 million to Mexico, €25 million to Peru, €11 million to Colombia and €5 million to Chile.

6.2.5. Loss allowances

Below are the changes in the six months ended June 30, 2023, and the year ended December 31, 2022 in the loss allowances recognized on the condensed consolidated balance sheets to cover the estimated impairment or reversal of impairment on loans and advances of financial assets at amortized cost:

Changes in loss allowances of loans and advances at amortized cost (Millions of Euros)

	June 2023	December 2022
Balance at the beginning of the period	(11,291)	(11,142)
Increase in loss allowances charged to income	(4,681)	(8,288)
Stage 1	(833)	(1,556)
Stage 2	(1,080)	(1,443)
Stage 3	(2,768)	(5,289)
Decrease in loss allowances charged to income	2,795	4,891
Stage 1	730	1,342
Stage 2	747	1,213
Stage 3	1,319	2,336
Transfer to written-off loans, exchange differences and other	1,935	3,248
Closing balance	(11,241)	(11,291)

6.3. Liquidity and funding risk

Liquidity and funding management at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs using a wide range of instruments that provide access to a large number of alternative sources of financing. BBVA's business model, risk appetite framework and funding strategy are designed to reach a solid funding structure based on stable customer deposits, mainly retail (granular). As a result of this model, deposits have a high degree of assurance in each geographical area, close to 60% in Spain and Mexico. In this regard, it is important to note that, given the nature of BBVA's business, lending is mainly financed through stable customer funds.

One of the key elements in the BBVA Group's liquidity and funding management is the maintenance of large high-quality liquidity buffers in all geographical areas. In this respect, the Group has maintained during the last 12 months an average volume of high quality liquid assets (HQLA) of €138.1 billion, of which 96% corresponds to maximum quality assets (level 1 in the liquidity coverage ratio, LCR).

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution strategy: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity and funding (taking deposits or accessing the market with their own rating). This strategy limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

The BBVA Group maintains a solid liquidity position in every geographical area in which it operates, with ratios well above the minimum required:

- LCR requires banks to maintain a volume of high-quality liquid assets sufficient to withstand liquidity stress for 30 days. BBVA Group's consolidated LCR remained comfortably above 100% during 2022 and stood at 148% as of June 30, 2023. It should be noted that, given the MPE nature of BBVA, this ratio limits the numerator of the LCR for subsidiaries other than BBVA S.A. to 100% of its net outflows. Therefore, the resulting ratio is below that of the individual units (the LCR of the main components reaches 174% in BBVA, S.A., 180% in Mexico and 228% in Turkey). If this restriction was eliminated, the Group's LCR ratio would reach 189%.
- The net stable funding ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, demands banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. The BBVA Group's NSFR ratio, is calculated based on the criteria established in the Regulation (UE) 2019/876 of the European Parliament and of the Council of May 20, 2019, with entry into force in June 2021. The BBVA Group's NSFR ratio stood at 132% as of June 30, 2023.

The main wholesale financing operations carried out by Group entities are detailed below.

Those carried out by BBVA, S.A. during the first half of 2023 are:

Type of issue	Date of issue	Nominal (millions)	Currency	Coupon	Early redemption	Maturity date
Senior non-preferred	Jan-23	1,000	EUR	4.625 %	Jan-30	Jan-31
Covered bonds	Jan-23	1,500	EUR	3.125 %	—	Jul-27
Senior preferred	May-23	1,000	EUR	4.125 %	May-25	May-26
Tier 2	Jun-23	750	EUR	Midswap + 280 basis points	Jun-Sep 28	Sep-33
AT1	Jun-23	1,000	EUR	8.375 %	Dec-28	Perpetual

Additionally, in June 2023 BBVA, S.A. completed a securitization of a portfolio of car loans for an amount of €800 million.

BBVA Mexico, for its part, carried out two senior issues in the first quarter of the year and a subordinated issue in the second quarter. The first of the senior issues consists of a green bond for 8,689 million Mexican pesos (approximately €468 million) with a maturity of 4 years, using the TIIE (Balanced Interbank Interest Rate used in Mexico) rate as benchmark, at one day +32 basis points; and the second one involved the issue of a senior bond for 6,131 million Mexican pesos (approximately €330 million) at a fixed rate of 9.54% and a term of 7 years. Regarding the subordinated issue carried out in June, it was a USD 1 billion Tier 2 issue for a term of 15 years with an early redemption option after 10 years and at a fixed rate of 8.45%. The main objective of this issue is to achieve a comfortable loss-absorbing capital buffer to comply with TLAC (Total Loss-Absorbing Capacity) requirements, with full implementation in Mexico in 2025.

BBVA Colombia together with the International Finance Corporation (IFC) announced the launch of the first blue bond in the country of USD50m.

In Turkey, Garanti BBVA renewed in June a syndicated loan associated with environmental, social and corporate governance (ESG) criteria, consisting of two separate tranches of \$199 million and €218.5 m, both maturing in one year.

6.4. IBOR

The transition from IBOR to Risk Free Rate (hereinafter "RFR") has been considered a complex initiative, which affects the BBVA Group in different geographical areas and business lines, as well as a multitude of products, systems and processes. The main risks to which the Group is exposed due to the transition are: (1) risk of litigation related to the products and services offered by the Group; (2) legal risks derived from changes in the documentation required for existing operations; (3) financial and accounting risks, derived from market risk models and from the valuation, hedging, cancellation and recognition of financial instruments associated with reference indices; (4) price risk, derived from how changes in the indices could impact the price determination mechanisms of certain instruments; (5) operational risks, as the reform may require changes to the Group's IT systems, business reporting infrastructure, operational processes and controls, and (6) conduct risks arising from the potential impact of customer communications during the transition period, which could lead to customer complaints, regulatory sanctions or reputational impact.

Thus, the Group established a transition project, provided with a robust governance structure, taking into account the different transition approaches and deadlines to the new RFR when evaluating the various risks associated with the transition, as well as defining the lines of action in order to mitigate them.

BBVA 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, BBVA 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 such 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.

In relation to the indices affected by the reform, the transition of the EONIA indices and LIBOR GBP, CHF, JPY and EUR has already been completed satisfactorily in the BBVA Group. In the case of the EURIBOR, the European authorities have promoted modifications in its methodology so that it meets the requirements of the European Regulation of Reference Indices, for which reason the cessation of this rate is not foreseen at the moment. Regarding USD LIBOR, the only rate to which BBVA has exposure as of June 30, 2023, BBVA is actively working to modify all its contracts referenced to this rate to the corresponding RFR (SOFR, Secured Overnight Financing Rate). The Financial Conduct Authority (FCA) has announced its decision to publish USD LIBOR under a "synthetic" methodology not representative for the 1, 3 and 6 months tenors until September 30, 2024.

The BBVA Group's exposure to financial assets and liabilities maturing after June 30, 2023 in the case of loans and advances was €10,567 million, of asset and liabilities debt instruments €166 million and €1,841 million, respectively, deposits €46 million, and in the case of derivatives (notional value) €8,635 million.

Cleared derivatives have transitioned via CCP conversion processes and the majority of derivatives adhered to ISDA protocol have been amended to include the relevant fallback. Regarding loan instruments, most contracts are covered by hardwired fallbacks that cover the USD LIBOR cessation by defining an alternative reference rate, which will be triggered post June 30, 2023. Contracts without hardwired fallbacks will temporarily use Synthetic USD LIBOR, while available, in their first reset after June 30, 2023.

7. Fair value of financial instruments

The criteria and valuation methods used to calculate the fair value of financial assets as of June 30, 2023 do not differ significantly from those included in Note 8 from the consolidated financial statements for the year ended December 31, 2022.

The techniques and unobservable inputs used for the valuation of the financial instruments classified in the fair value hierarchy as Level 3, do not significantly differ from those detailed in Note 8 of the consolidated financial statements for the year 2022.

The effect on the consolidated income statements and on the consolidated equity, resulting from changing the main assumptions used in the valuation of Level 3 financial instruments for other reasonably possible assumptions, does not differ significantly from that detailed in Note 8 of the consolidated financial statements for the year 2022.

7.1. Fair value of financial instruments recognized at fair value according to valuation method

The fair value of the Group's financial instruments from the attached condensed consolidated balance sheets is presented below, broken down according to the valuation method used to determine their fair value, and their respective book value as of June 30, 2023 and December 31, 2022:

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Fair value of financial instruments by levels. June 2023 (Millions of Euros)

	Notes	Book value	Fair value		
			Level 1	Level 2	Level 3
ASSETS					
Financial assets held for trading	9	141,721	31,765	108,120	1,836
Derivatives		39,346	1,014	38,057	274
Equity instruments		4,247	4,194	—	53
Debt securities		33,999	25,242	8,590	167
Loans and advances		64,129	1,315	61,473	1,341
Non-trading financial assets mandatorily at fair value through profit or loss	10	8,019	6,723	360	936
Equity instruments		7,432	6,450	62	920
Debt securities		313	—	298	15
Loans and advances to customers		274	273	—	1
Financial assets designated at fair value through profit or loss	11	1,004	984	20	—
Debt securities		1,004	984	20	—
Financial assets at fair value through other comprehensive income	12	63,979	51,191	12,276	513
Equity instruments		1,254	1,078	67	108
Debt securities		62,700	50,087	12,209	405
Loans and advances to credit institutions		26	26	—	—
Derivatives – Hedge accounting	14	1,888	—	1,888	—
LIABILITIES					
Financial liabilities held for trading	9	127,332	25,302	100,825	1,205
Trading derivatives		38,003	678	36,565	760
Short positions		17,107	17,077	30	—
Deposits		72,222	7,548	64,229	444
Financial liabilities designated at fair value through profit or loss	11	12,577	—	10,660	1,917
Deposits from credit institutions		111	—	111	—
Customer deposits		698	—	698	—
Debt certificates issued		3,642	—	1,725	1,917
Other financial liabilities		8,126	—	8,126	—
Derivatives – Hedge accounting	14	3,486	—	3,486	—

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Fair value of financial Instruments by levels. December 2022 (Millions of Euros)

	Notes	Book value	Fair value		
			Level 1	Level 2	Level 3
ASSETS					
Financial assets held for trading	9	110,671	22,710	85,636	2,325
Derivatives		39,908	795	38,140	974
Equity instruments		4,404	4,369	—	34
Debt securities		24,367	16,284	7,934	148
Loans and advances		41,993	1,262	39,562	1,169
Non-trading financial assets mandatorily at fair value through profit or loss	10	6,888	5,720	151	1,017
Equity instruments		6,511	5,457	40	1,014
Debt securities		129	19	111	—
Loans and advances to customers		247	245	—	3
Financial assets designated at fair value through profit or loss	11	913	913	—	—
Debt securities		913	913	—	—
Financial assets at fair value through other comprehensive income	12	65,374	53,248	11,537	589
Equity instruments		1,198	1,040	58	100
Debt securities		64,150	52,182	11,479	489
Loans and advances to credit institutions		26	26	—	—
Derivatives – Hedge accounting	14	1,891	4	1,887	—
LIABILITIES					
Financial liabilities held for trading	9	95,611	20,611	73,871	1,129
Trading derivatives		37,909	746	36,161	1,002
Short positions		13,487	13,354	133	—
Deposits		44,215	6,511	37,577	127
Financial liabilities designated at fair value through profit or loss	11	10,580	—	8,990	1,590
Deposits from credit institutions		—	—	—	—
Customer deposits		700	—	700	—
Debt certificates issued		3,288	—	1,698	1,590
Other financial liabilities		6,592	—	6,592	—
Derivatives – Hedge accounting	14	3,303	100	3,179	25

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7.2. Fair value of financial instruments recognized at amortized cost according to valuation method

Below is shown the fair value of the Group's financial instruments from the attached condensed consolidated balance sheets recognized at amortized cost, broken down according to the valuation method used to determine their fair value, and their respective book value as of June 30, 2023 and December 31, 2022:

Fair value of financial instruments recognized at amortized cost by levels. June 2023 (Millions of Euros)

	Notes	Book value	Fair value			
			Total	Level 1	Level 2	Level 3
ASSETS						
Cash, cash balances at central banks and other demand deposits	8	71,858	71,858	71,559	—	299
Financial assets at amortized cost	13	438,841	433,369	41,747	10,914	380,708
Debt securities		44,769	44,022	35,039	8,169	814
Loans and advances to central banks		6,734	6,672	6,672	—	—
Loans and advances to credit institutions		17,577	17,558	36	1,708	15,814
Loans and advances to customers		369,761	365,117	—	1,037	364,079
LIABILITIES						
Financial liabilities at amortized cost	21	541,671	539,486	63,403	283,474	192,610
Deposits from central banks		21,070	21,030	20,857	—	172
Deposits from credit institutions		38,891	38,846	—	32,848	5,999
Customer deposits		402,344	399,980	1,048	227,470	171,462
Debt certificates issued		63,158	63,312	41,498	13,976	7,838
Other financial liabilities		16,207	16,318	—	9,180	7,138

Fair value of financial instruments recognized at amortized cost by levels. December 2022 (Millions of Euros)

	Notes	Book value	Fair value			
			Total	Level 1	Level 2	Level 3
ASSETS						
Cash, cash balances at central banks and other demand deposits	8	79,756	79,756	79,463	—	293
Financial assets at amortized cost	13	414,421	412,965	30,587	12,173	370,206
Debt securities		36,639	36,311	26,239	9,313	759
Loans and advances to central banks		4,401	4,401	4,259	—	142
Loans and advances to credit institutions		16,031	16,089	89	1,289	14,711
Loans and advances to customers		357,351	356,164	—	1,571	354,594
LIABILITIES						
Financial liabilities at amortized cost	21	529,172	525,595	77,112	266,194	182,289
Deposits from central banks		38,323	38,312	38,012	—	300
Deposits from credit institutions		26,935	26,777	—	20,546	6,231
Customer deposits		394,404	392,805	1,158	230,821	160,826
Debt certificates issued		55,429	53,550	37,942	7,240	8,368
Other financial liabilities		14,081	14,151	—	7,587	6,564

8. 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 condensed consolidated balance sheets is as follows:

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

	June 2023	December 2022
Cash on hand	6,951	6,533
Cash balances at central banks	58,888	67,314
Other demand deposits	6,019	5,909
Total	71,858	79,756

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9. Financial assets and liabilities held for trading

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

Financial assets and liabilities held for trading (Millions of Euros)			
	Notes	June 2023	December 2022
ASSETS			
Derivatives		39,346	39,908
Equity instruments	6.2	4,247	4,404
Debt securities	6.2	33,999	24,367
Issued by central banks		890	821
Issued by public administrations ⁽¹⁾		30,238	20,703
Issued by financial institutions		1,595	1,365
Other debt securities		1,275	1,477
Loans and advances	6.2	64,129	41,993
Loans and advances to central banks		2,165	1,632
Reverse repurchase agreement		2,165	1,632
Loans and advances to credit institutions		48,189	25,231
Reverse repurchase agreement ⁽²⁾		48,158	25,201
Loans and advances to customers		13,775	15,130
Reverse repurchase agreement		13,371	14,832
Total assets	7	141,721	110,671
LIABILITIES			
Derivatives		38,003	37,909
Short positions		17,107	13,487
Deposits		72,222	44,215
Deposits from central banks		8,656	3,950
Repurchase agreement		8,656	3,950
Deposits from credit institutions		48,395	28,924
Repurchase agreement ⁽²⁾		47,970	28,573
Customer deposits		15,170	11,341
Repurchase agreement		15,140	11,302
Total liabilities	7	127,332	95,611

(1) The variation is mainly due to the increase in positions of the Public Treasury.

(2) The variation is mainly due to the evolution of "Reverse repurchase agreement" of BBVA, S.A. compensated with the evolution of "Repurchase agreement" of BBVA, S.A.

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

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)			
	Notes	June 2023	December 2022
Equity instruments	6.2	7,432	6,511
Debt securities	6.2	313	129
Loans and advances to customers	6.2	274	247
Total	7	8,019	6,888

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

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)			
	Notes	June 2023	December 2022
ASSETS			
Debt securities	6.2 / 7	1,004	913
LIABILITIES			
Deposits from central banks		111	—
Customer deposits		698	700
Debt certificates issued		3,642	3,288
Other financial liabilities: Unit-linked products		8,126	6,592
Total liabilities	7	12,577	10,580

12. Financial assets at fair value through other comprehensive income

12.1. Breakdown of the balance

The breakdown of the balance of this heading of the condensed consolidated balance sheets by type of financial instruments is as follows:

Financial assets at fair value through other comprehensive income (Millions of Euros)			
	Notes	June 2023	December 2022
Equity instruments	6.2	1,254	1,198
Debt securities ⁽¹⁾		62,700	64,150
Loans and advances to credit institutions	6.2	26	26
Total	7	63,979	65,374
<i>Of which: loss allowances of debt securities</i>		<i>(135)</i>	<i>(123)</i>

(1) This includes redesignations from the heading "Financial assets at amortized cost" due to the application of IFRS 17 (see Note 2.1 and Appendix V).

12.2. Gains/losses

Changes in gains (losses)

The changes in the gains/losses (net of taxes) during the six months ended June 30, 2023 and in the year ended December 31, 2022 of debt securities recognized under the equity heading "Accumulated other comprehensive income – 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 – 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 condensed consolidated balance sheets are as follows:

Other comprehensive income - Changes in gains (losses) (Millions of Euros)				
Notes	Debt securities		Equity instruments	
	June 2023	December 2022 ⁽¹⁾	June 2023	December 2022
Balance at the beginning	(809)	1,274	(1,194)	(1,079)
Valuation gains and losses	(166)	(3,049)	123	(112)
Amounts transferred to income	—	20		
Amounts transferred to Reserves			(9)	(2)
Income tax and other	32	946	3	(1)
Balance at the end	27	(809)	(1,077)	(1,194)

(1) Figures restated due to the application of IFRS 17 (see Notes 1.3 and 2.1).

13. Financial assets at amortized cost

13.1. Breakdown of the balance

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

Financial assets at amortized cost (Millions of Euros)			
	Notes	June 2023	December 2022
Debt securities ⁽¹⁾		44,769	36,639
Loans and advances to central banks		6,734	4,401
Loans and advances to credit institutions		17,577	16,031
Loans and advances to customers		369,761	357,351
Government		23,736	20,892
Other financial corporations		12,821	12,765
Non-financial corporations		165,939	165,433
Other		167,265	158,261
Total	7	438,841	414,421
<i>Of which: impaired assets of loans and advances to customers</i>	6.2	13,787	13,493
<i>Of which: loss allowances of loans and advances</i>	6.2	(11,241)	(11,291)
<i>Of which: loss allowances of debt securities</i>		(98)	(91)

(1) This includes redesignations to the heading "Financial assets at fair value through other comprehensive income" due to the application of IFRS 17 (see Note 2.1 and Appendix V).

13.2. Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)		
	June 2023	December 2022
On demand and short notice	3,064	4,101
Credit card debt	21,446	18,898
Trade receivables	22,824	25,987
Finance leases	9,091	8,571
Reverse repurchase agreements	102	102
Other term loans	307,234	294,059
Advances that are not loans	6,001	5,633
Total	369,761	357,351

14. Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedges of interest rate risk

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)		
	June 2023	December 2022
ASSETS		
Derivatives - Hedge accounting	1,888	1,891
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(137)	(148)
LIABILITIES		
Derivatives - Hedge accounting	3,486	3,303
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—

15. Investments in joint ventures and associates

The breakdown of the balance of "Investments in joint ventures and associates" in the condensed consolidated balance sheets is as follows:

Joint ventures and associates (Millions of Euros)		
	June 2023	December 2022
Joint ventures	90	100
Associates	839	816
Total	929	916

16. Tangible assets

The breakdown of the balance and changes of this heading in the condensed consolidated balance sheets, according to the nature of the related items, is as follows:

Tangible assets. Breakdown by type (Millions of Euros)		
	June 2023	December 2022
Property, plant and equipment	8,613	8,441
For own use	8,080	7,911
Land and buildings	6,434	6,255
Work in progress	168	93
Furniture, fixtures and vehicles	6,140	5,833
Right to use assets	1,989	1,871
Accumulated depreciation	(6,455)	(5,920)
Impairment	(197)	(220)
Leased out under an operating lease	533	530
Assets leased out under an operating lease	578	582
Accumulated depreciation	(45)	(52)
Investment property	279	296
Building rental	227	242
Other	1	2
Right to use assets	232	213
Accumulated depreciation	(106)	(94)
Impairment	(76)	(67)
Total	8,892	8,737

Purchase of Tree Inversiones Inmobiliarias SOCIMI, S.A. (Tree) from Merlin Properties SOCIMI, S.A.

On June 15, 2022, BBVA acquired from Merlin Properties SOCIMI, S.A. the shares representing the entire share capital of Tree Inversiones Inmobiliarias SOCIMI, S.A. (hereinafter "Tree") for an amount of €1,987 million. This company has 662 properties leased to BBVA that were part of the set of properties that BBVA sold between 2009 and 2010 under a sale and leaseback agreement. Prior to that date, these properties were registered as "Rights of use" in the assets of the consolidated balance sheet of the BBVA Group under the headings "Tangible assets - Property, plant and equipment" and "Tangible assets - Investment property" of the consolidated balance sheet and that, in liabilities, the payment obligation was reflected under the heading "Financial liabilities at amortized cost - Other financial liabilities", in accordance with IFRS 16 Leases.

The Tree purchase transaction has been considered an asset purchase given that the Group has determined that it is not acquiring a set of activities that present elements that could constitute a business. After the closing of this transaction, the BBVA Group has once again become owner of the properties and recorded them at their acquisition price in the Group's Consolidated Financial Statements as of June 30, 2022. The assets acquired that are not used for the Bank's activity are recorded under the heading "Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale" (see Note 20).

The impact of the transaction amounted to €-201 million (losses net of taxes) which was registered under the headings "Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" for an amount of €-134 million and "Tax expense or income related to profit or loss from continuing operations" for an amount of €-67 million from the consolidated income statement of the BBVA Group.

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17. Intangible assets

17.1. Goodwill

The breakdown of the balance under this heading in the condensed consolidated balance sheets, according to the cash-generating unit (hereinafter "CGU") to which goodwill has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the year / period (Millions of Euros)						
	Mexico	Turkey	Colombia	Chile	Other	Total
Balance as of December 31, 2021	504	152	134	24	4	818
Additions	—	—	—	—	—	—
Exchange difference	55	—	(16)	1	1	41
Impairment	—	—	—	—	—	—
Companies held for sale	—	—	—	—	—	—
Other	—	(152)	—	—	—	(152)
Balance as of December 31, 2022	559	—	118	25	5	707
Additions	—	—	—	—	—	—
Exchange difference	69	—	15	1	—	85
Impairment	—	—	—	—	—	—
Companies held for sale	—	—	—	—	—	—
Other	—	—	—	—	—	—
Balance as of June 30, 2023	628	—	133	27	5	793

Impairment test

As mentioned in Note 2.2.7 of the consolidated financial statements for the year 2022, the CGUs to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually or whenever there is any indication of impairment. As of and for the six months ended June 30, 2023, no indicators of impairment have been identified in any CGU.

17.2. Other intangible assets

The breakdown of the balance and changes of this heading in the condensed consolidated balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)		
	June 2023	December 2022
Computer software acquisition expense	1,448	1,393
Other intangible assets with an infinite useful life	9	13
Other intangible assets with a definite useful life	34	43
Total	1,491	1,449

18. Tax assets and liabilities

18.1. Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

18.2. Current and deferred taxes

The balance under the heading "Tax assets" in the condensed consolidated balance sheets includes current and deferred tax assets. The balance under the "Tax liabilities" heading includes the Group's various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

Tax assets and liabilities (Millions of Euros)		
	June 2023	December 2022
Tax assets		
Current tax assets	2,244	1,978
Deferred tax assets	15,374	14,747
Total	17,618	16,725
Tax liabilities		
Current tax liabilities	1,000	1,415
Deferred tax liabilities	2,087	1,520
Total	3,087	2,935

Tax expense or income related to profit or loss from continuing operations

The heading "Tax expense or income related to profit or loss from continuing operations" recorded an expense amounting € 1,978 million in the first half of 2023 applying the estimated tax rate for BBVA Group for the year 2023. In the first half of 2022 an expense of €1,650 million was recorded. In 2023, it is included the revaluation for tax purposes of the immovable properties and other depreciable assets of Garanti BBVA AS arising from the application of the temporary article no. 32 as well as paragraph (ç) of article no. 298 of the Tax Procedure Law no. 213; as of June 30, 2023, a corporate income tax expense credit has been generated in the consolidated financial statements of the BBVA Group, amounting to approximately €205 million, due to the higher tax base of the assets. The increase in the tax base of the assets, which represents a corrective effect of inflation with relation to taxation, will be taken into account when calculating the corporate income tax liability every year.

Corporate Income Tax in Turkey

Following its publication in the Official Gazette on July 15, 2023, Law No. 7456 on Additional Motor Vehicle Tax and Amendments to Certain Laws as well as Decree Law No. 375, for Compensation of Economic Losses Caused by the Earthquakes on February 6, 2023, has entered into force in Turkey. Among other aspects, this Law provides for the modification of the general corporate income tax rate in Turkey from 20% to 25%. However, the general tax rate for banks and financial institutions is increased to 30% (it was already 25%). This change is applicable to profits generated in tax periods beginning on or after January 1, 2023. The Group does not expect significant impacts from this reform.

19. Other assets and liabilities

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

Other assets and liabilities (Millions of Euros)		
	June 2023	December 2022
ASSETS		
Inventories	456	325
Transactions in progress	68	93
Accruals	1,387	1,461
Other items	2,470	706
Total	4,381	2,586
LIABILITIES		
Transactions in progress	87	44
Accruals	2,524	2,595
Other items	2,727	2,269
Total	5,338	4,909

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20. 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 balance under the heading "Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale" in the condensed consolidated balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale. Breakdown by items (Millions of Euros)		
	June 2023	December 2022
ASSETS		
Foreclosures and recoveries	993	1,070
Other assets from tangible assets	1,037	1,063
Companies held for sale	46	40
Other assets classified as held for sale	—	—
Accrued amortization	(89)	(93)
Impairment losses	(1,020)	(1,057)
Total	966	1,022
LIABILITIES		
Companies held for sale	—	—
Total	—	—

21. Financial liabilities at amortized cost

21.1. Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)			
	Notes	June 2023	December 2022
Deposits		462,305	459,662
Deposits from central banks		21,070	38,323
Demand deposits		189	205
Time deposits and other		11,254	33,534
Repurchase agreements		9,627	4,584
Deposits from credit institutions		38,891	26,935
Demand deposits		7,314	11,434
Time deposits and other		12,875	11,787
Repurchase agreements		18,703	3,714
Customer deposits		402,344	394,404
Demand deposits		308,688	316,082
Time deposits and other		89,588	76,063
Repurchase agreements		4,067	2,259
Debt certificates issued		63,158	55,429
Other financial liabilities		16,207	14,081
Total	7	541,671	529,172

The amount recorded in "Deposits from central banks - Time deposits and other" includes the drawdowns of the TLTRO III facilities of the European Central Bank, mainly by BBVA S.A., amounting to €3,660 million and €26,711 million, as of June 30, 2023 and December 31, 2022, respectively, after beginning in December 2022 the repayment of the TLTRO III program, for an approximate amount of €35,000 million.

The positive income generated by the drawdowns of the TLTRO III facilities was recorded under the heading of "Interest and other income – Other income" in the condensed consolidated income statement, while the negative remuneration generated by the drawdown of the TLTRO III facilities is recorded under the heading "Interest expense" in the condensed consolidated income statement (see Notes 32.1 and 32.2 respectively).

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21.2. Deposits from credit institutions

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

Deposits from credit institutions (Millions of Euros)				
	Demand deposits	Time deposits and others ⁽¹⁾	Repurchase agreements	Total
June 2023				
Spain	1,776	2,410	1,060	5,246
Mexico	640	690	—	1,330
Turkey	16	475	73	565
South America	741	2,545	58	3,344
Rest of Europe	3,197	3,221	17,511	23,929
Rest of the world	944	3,534	—	4,478
Total	7,314	12,875	18,703	38,891
December 2022				
Spain	1,215	1,429	67	2,709
Mexico	855	732	—	1,587
Turkey	10	633	29	672
South America	844	2,251	—	3,095
Rest of Europe	3,613	2,944	1,669	8,226
Rest of the world	4,897	3,797	1,949	10,645
Total	11,434	11,787	3,714	26,935

(1) Subordinated deposits are included amounting to €34 million and €24 million as of June 30, 2023 and December 31, 2022, respectively.

21.3. Customer deposits

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

Customer deposits (Millions of Euros)				
	Demand deposits	Time deposits and others	Repurchase agreements	Total
June 2023				
Spain	181,940	13,938	3	195,880
Mexico	69,117	14,449	1,596	85,162
Turkey	19,269	23,406	1,273	43,948
South America	26,937	17,694	—	44,631
Rest of Europe	9,689	16,272	1,196	27,157
Rest of the world	1,736	3,830	—	5,565
Total	308,688	89,588	4,067	402,344
December 2022				
Spain	188,803	13,937	2	202,742
Mexico	64,671	12,916	630	78,217
Turkey	22,117	17,254	747	40,118
South America	27,083	14,505	—	41,587
Rest of Europe	11,670	14,224	880	26,774
Rest of the world	1,737	3,228	—	4,965
Total	316,082	76,063	2,259	394,404

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21.4. Debt certificates

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

Debt certificates (Millions of Euros)		
	June 2023	December 2022
In Euros	41,976	35,611
Promissory bills and notes	3,076	1,079
Non-convertible bonds and debentures	17,519	16,979
Covered bonds	6,809	7,665
Hybrid financial instruments ⁽¹⁾	1,062	959
Securitization bonds	2,412	2,501
Wholesale funding	3,175	139
Subordinated liabilities	7,922	6,289
Convertible perpetual certificates	4,000	3,000
Other non-convertible subordinated liabilities	3,922	3,289
In foreign currencies	21,182	19,819
Promissory bills and notes	299	351
Non-convertible bonds and debentures	9,467	9,323
Covered bonds	103	114
Hybrid financial instruments ⁽¹⁾	4,266	3,724
Securitization bonds	—	—
Wholesale funding	57	111
Subordinated liabilities	6,991	6,196
Convertible perpetual certificates	1,842	1,876
Other non-convertible subordinated liabilities	5,149	4,320
Total	63,158	55,429

(1) Corresponds to structured note issuances with embedded derivatives that have been segregated according to IFRS 9.

21.5. Other financial liabilities

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

Other financial liabilities (Millions of Euros)		
	June 2023	December 2022
Lease liabilities	1,407	1,398
Creditors for other financial liabilities	4,229	3,584
Collection accounts	4,806	3,426
Creditors for other payment obligations	5,765	5,673
Total	16,207	14,081

22. Assets and liabilities under insurance and reinsurance contracts

As of June 30, 2023 and December 31, 2022, the balance under this heading "Insurance and reinsurance assets" amounted to €212 million and €183 million, respectively.

The breakdown of the condensed balance under the heading "Liabilities under insurance and reinsurance contracts" is as follows:

Liabilities under insurance and reinsurance contracts (Millions of Euros)		
	June 2023	December 2022
Liabilities for remaining coverage	10,460	9,157
Liabilities for incurred claims	1,078	974
Total	11,537	10,131

23. Provisions

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

Provisions. Breakdown by concepts (Millions of Euros)			
	Notes	June 2023	December 2022
Provisions for pensions and similar obligations		2,581	2,632
Other long term employee benefits		454	466
Provisions for taxes and other legal contingencies	6.1	686	685
Commitments and guarantees given	30	748	770
Other provisions ⁽¹⁾		390	380
Total		4,859	4,933

(1) Individually non-significant provisions for various concepts and corresponding to different geographical areas.

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, at June 30, 2023, 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 6.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, individually, a significant adverse effect on the Group's business, financial situation or results of operations.

24. Pension and other post-employment commitments

The Group sponsors defined-contribution plans for the majority of its active employees, with the plans in Spain and Mexico being the most significant. Most of the defined benefit plans are for individuals already retired, and are closed to new employees, the most significant being those in Spain, Mexico and Turkey. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members, both in active service and retirement.

The amounts relating to post-employment benefits charged to the condensed consolidated income statement are as follows:

Condensed consolidated income statement impact (Millions of Euros)			
	Notes	June 2023	June 2022
Interest income and expense		66	21
Personnel expense		92	61
<i>Defined contribution plan expense</i>	38.1	69	41
<i>Defined benefit plan expense</i>	38.1	23	20
Provisions or (reversal) of provisions	40	32	(49)
Total expense (income)		191	34

25. Capital

As of June 30, 2023 BBVA's share capital amounted to €2,923,081,772.45 divided into 5,965,473,005 shares (€2,954,757,116.36 divided into 6,030,116,564 shares as of December 31, 2022). The variation is due to the partial execution, notified on June 2, 2023, of the share capital reduction resolution adopted by the Ordinary General Shareholders' Meeting of BBVA held on March 17, 2023, under item 3 of the agenda (see Note 4).

As of such dates mentioned, all shares were fully subscribed and paid-up, of the same class and series, of €0.49 par value each, and represented through book-entry accounts. All of the Bank's shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's capital.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. 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. BBVA is not aware of any agreement that could give rise to changes in the control of the Bank.

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26. Retained earnings and other reserves

The breakdown of the balance under this heading in the condensed consolidated balance sheet is as follows:

Retained earnings and other reserves (Millions of Euros)		
	June 2023	December 2022
Retained earnings	36,379	32,711
Other reserves	2,250	2,345
Total	38,629	35,056

27. Accumulated other comprehensive income

The breakdown of the balance under this heading in the condensed consolidated balance sheet is as follows:

Accumulated other comprehensive income (loss). Breakdown by concepts (Millions of Euros)			
	Notes	June 2023	December 2022
Items that will not be reclassified to profit or loss		(1,958)	(1,881)
Actuarial gains (losses) on defined benefit pension plans		(939)	(760)
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	12.2	(1,077)	(1,194)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		58	72
Items that may be reclassified to profit or loss		(14,961)	(15,760)
Hedge of net investments in foreign operations (effective portion)		(2,197)	(1,408)
Mexican peso		(2,835)	(1,751)
Turkish lira		657	358
Other exchanges		(19)	(15)
Foreign currency translation		(11,573)	(13,078)
Mexican peso		(465)	(2,791)
Turkish lira		(7,598)	(6,599)
Argentine peso		(910)	(868)
Venezuela Bolívar		(1,866)	(1,850)
Other exchanges		(733)	(969)
Hedging derivatives. Cash flow hedges (effective portion)		(243)	(447)
Fair value changes of debt instruments measured at fair value through other comprehensive income	12.2	(943)	(809)
Non-current assets and disposal groups classified as held for sale		—	—
Share of other recognized income and expense of investments in joint ventures and associates		(5)	(18)
Total		(16,919)	(17,642)

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

28. Non-controlling interest

The breakdown by groups of consolidated entities of the balance under the heading "Minority interests (non-controlling interest)" of the condensed consolidated balance sheets is as follows:

Non-controlling interests. Breakdown by subgroups (Millions of Euros)		
	June 2023	December 2022
Garanti BBVA	1,012	1,179
BBVA Peru	1,535	1,469
BBVA Argentina	694	687
BBVA Colombia	72	73
BBVA Venezuela	96	95
Other entities	109	119
Total	3,517	3,623

These amounts are broken down by groups of consolidated entities under the heading "Profit (Loss) - Attributable to minority interest (non-controlling interest)" in the condensed consolidated income statement:

Profit attributable to non-controlling interests. Breakdown by subgroups (Millions of Euros)		
	June 2023	June 2022
Garanti BBVA	92	(61)
BBVA Peru	129	130
BBVA Argentina	46	45
BBVA Colombia	(3)	4
BBVA Venezuela	13	2
Other entities	(11)	(3)
Total	266	117

29. Capital base and capital management

The eligible capital instruments and the risk-weighted assets of the Group (phased-in) are shown below, calculated in accordance with the applicable regulation, considering the entities in scope required by such regulation, as of June 30, 2023 and December 31, 2022:

Capital ratios (phased-in)		
	June 2023 ^{(1) (2)}	December 2022
Eligible Common Equity Tier 1 capital (millions of Euros) (a)	45,153	42,738
Eligible Additional Tier 1 capital (millions of Euros) (b)	6,171	5,193
Eligible Tier 2 capital (millions of Euros) (c)	7,021	5,930
Risk Weighted Assets (millions of Euros) (d)	347,488	337,066
Common Tier 1 capital ratio (CET 1) (A)=(a)/(d)	12.99 %	12.68 %
Additional Tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.78 %	1.54 %
Tier 1 capital ratio (Tier 1) (A)+(B)	14.77 %	14.22 %
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.02 %	1.76 %
Total capital ratio (A)+(B)+(C)	16.79 %	15.98 %

(1) Provisional data.

(2) The difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly as a result of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873). In 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.

BBVA's fully-loaded CET1 ratio stood at 12.99% as of June 30, 2023, which represents an increase of +38 basis points compared to December 31, 2022, being equal to the consolidated phased-in CET1 (12.99%, which represents an increase of +31 basis points in the first half of the year), as a result of the fact that, as of June 30, 2023, the transitory adjustments for the treatment of the impacts of IFRS 9 have no effect on capital ratios.

These ratios include the supervisory effect included during the first quarter of 2023, with an impact of -20 basis points of CET1. Additionally, the reversal of the CET1 deduction for the prudential hedging of non-performing exposures is included, once it has been incorporated in the Group's capital requirement, resulting in an impact of +19 basis points. Excluding these effects, the fully-loaded CET1 ratio, as of June 30, 2023, increased by +39 basis points compared to December 31, 2022.

Fully-loaded risk-weighted assets (RWA) increased in the first half of the year by €10,603 million, mainly as a result of organic generation, which was partially offset by the effect of changes in exchange rates.

The fully-loaded additional Tier 1 capital ratio (AT1) stood at 1.78% (1.78% phased-in) as of June 30, 2023, which includes the effect of the issuance of perpetual contingent convertible securities (CoCos), carried out in June 2023 for a total nominal amount of €1,000 million.

The fully-loaded Tier 2 ratio stood at 2.02%, as of June 30, 2023, which represents an increase of +23 basis points compared to December 31, 2022, mainly due to the issuance of subordinated bonds in Spain with a nominal amount of €750 million and another in Mexico for a nominal amount of \$1,000 million, both in June 2023. The phased-in Tier 2 ratio also stood at 2.02%.

As a result of the above, the total fully-loaded capital ratio stood at 16.79% as of June 30, 2023, and total phased-in ratio stood at 16.79%.

With regard to MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, on March, 8, 2022 BBVA disclosed the reception of a communication from the Bank of Spain regarding its minimum requirement for own funds and eligible liabilities, established by the Single Resolution Board (hereinafter "SRB"), calculated taking into account the financial and supervisory information as of June 30, 2021.

In accordance with this communication, BBVA must maintain, as from January 1, 2022, an amount of own funds and eligible liabilities equal to 21.46% of the total RWA of its resolution group, on sub-consolidated level (hereinafter, the "MREL in RWA"), within this MREL in RWA, an amount equal to 13.50% of the RWA shall be met with subordinated instruments (the "subordination requirement in RWA"). The MREL in RWA and the subordination requirement in RWA do not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, would be estimated at 3.32%, considering the exposures subject to the calculation of the countercyclical buffer as of June 30, 2023.

In addition, BBVA has to reach, since January 1, 2022, an amount of own funds and eligible liabilities in terms of the total exposure considered for calculating the leverage ratio equal to 7.27% (the "MREL in LR") of which 5.61% in terms of the total exposure considered for calculating the leverage ratio shall be satisfied with subordinated instruments (the "subordination requirement in LR").

Given the own funds and eligible liabilities structure of the resolution group, as of June 30, 2023, the MREL in RWA ratio stood at 28.05%, complying with the aforementioned requirement. Finally, as of June 30, 2023, the MREL in LR was 11.25% and the subordination ratios in terms of RWA and in terms of LR were 22.90% and 9.18%, respectively.

On June 14, 2023 the Group disclosed the reception of a new communication from the Bank of Spain regarding its MREL requirement, established by the SRB, calculated taking into account the financial and supervisory information as of December 31, 2021. In accordance with this new communication, BBVA has to reach, starting January 1, 2024 a MREL in RWA equal to 22.11% and a subordination requirement in RWA equal to 13.50%. The MREL in RWA and the subordination requirement in RWA do not include the applicable combined capital buffer requirement which, according to applicable regulations and supervisory criteria, would be estimated at 3.32%, considering the exposures subject to the calculation of the countercyclical buffer as of June 30, 2023. Given the own funds and eligible liabilities structure of the resolution group, as of June 30, 2023 the MREL in RWA met the requirement.

The breakdown of the leverage ratio as of June 30, 2023 and December 31, 2022, calculated according to CCR, is as follows:

Leverage ratio		
	June 2023 ⁽¹⁾	December 2022
Tier 1 (millions of Euros) (a)	51,324	47,931
Exposure to leverage ratio (millions of Euros) (b)	792,051	738,413
Leverage ratio (a)/(b) (percentage)	6.48 %	6.49 %

(1) Provisional data

Finally, as of June 30, 2023, the phased-in leverage ratio, which includes the transitory treatment of certain capital elements (mainly the impact of IFRS 9), stood at 6.48% with a slight reduction in the first half of the year, which is mainly explained by the increase in the exposure to the leverage ratio, offset in part by the increase in Tier 1 capital.

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30. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)			
	Notes	June 2023	December 2022
Loan commitments given	6.2.2	155,009	136,920
<i>Of which: impaired</i>		164	177
Central banks		162	—
General governments		2,410	3,031
Credit institutions		27,971	15,407
Other financial corporations		5,962	5,895
Non-financial corporations		67,741	68,120
Households		50,763	44,467
Financial guarantees given	6.2.2	16,007	16,511
<i>Of which: impaired ⁽¹⁾</i>		233	281
Central banks		—	—
General governments		173	96
Credit institutions		430	475
Other financial corporations		1,311	1,263
Non-financial corporations		13,951	14,541
Households		142	135
Other commitments given	6.2.2	39,561	39,137
<i>Of which: impaired ⁽¹⁾</i>		672	689
Central banks		—	—
General governments		304	215
Credit institutions		3,976	4,134
Other financial corporations		1,897	1,758
Non-financial corporations		33,211	32,858
Households		174	171
Total	6.2.2	210,578	192,568

(1) Impaired financial guarantees given amounted to €905 and €970 million, respectively, as of June 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023 and December 31, 2022, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the consolidated balance sheet amounted to €239 million, €138 million and €372 million; and €243 million, €175 million and €353 million, respectively (see Note 23).

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

31. Other contingent assets and liabilities

As of June 30, 2023 and December 31, 2022, there were no material contingent assets or liabilities other than those disclosed in these Notes.

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32. Net interest income

32.1. Interest and other income

The breakdown of the interest and other income recognized in the condensed consolidated income statement is as follows:

Interest and other income. Breakdown by origin (Millions of Euros)		
	June 2023	June 2022
Financial assets held for trading	2,093	774
Financial assets at fair value through other comprehensive income	1,913	1,304
Financial assets at amortized cost	17,305	10,395
Insurance activity	493	602
Adjustments of income as a result of hedging transactions	(57)	(63)
Other income ⁽¹⁾	149	391
Total	21,897	13,403

(1) The balance includes the interest accrued from TLTRO III operations which amounted to €191 million for the six months ended June 30, 2022 (See Note 21.1).

32.2. Interest expense

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

Interest expense. Breakdown by origin (Millions of Euros)		
	June 2023	June 2022
Financial liabilities held for trading	1,532	553
Financial liabilities designated at fair value through profit or loss	51	20
Financial liabilities at amortized cost	8,215	3,775
Adjustments of expense as a result of hedging transactions	296	(178)
Insurance activity	294	439
Cost attributable to pension funds	59	31
Other expense	40	225
Total	10,487	4,865

33. Dividend income

The balances for this heading in the condensed consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method, as per the breakdown below:

Dividend income (Millions of Euros)		
	June 2023	June 2022
Non-trading financial assets mandatorily at fair value through profit or loss	10	13
Financial assets at fair value through other comprehensive income	63	63
Total	73	76

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34. Fee and commission income and expense

The breakdown of the balance under these headings in the condensed consolidated income statements is as follows:

Fee and commission income. Breakdown by origin (Millions of Euros)		
	June 2023	June 2022
Bills receivables	13	13
Demand accounts	165	233
Credit and debit cards and POS	1,968	1,610
Checks	89	81
Transfers and other payment orders	422	389
Insurance product commissions	180	127
Loan commitments given	139	123
Other commitments and financial guarantees given	225	200
Asset management	670	610
Securities fees	148	131
Custody securities	100	91
Other fees and commissions	379	354
Total	4,498	3,964

The breakdown of the balance under these headings in the condensed consolidated income statements is as follows:

Fee and commission expense. Breakdown by origin (Millions of Euros)		
	June 2023	June 2022
Demand accounts	2	2
Credit and debit cards	1,022	851
Transfers and other payment orders	75	62
Commissions for selling insurance	24	24
Custody securities	42	48
Other fees and commissions	425	318
Total	1,590	1,305

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35. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

The breakdown of the balance under these headings, by source of the related items, in the condensed consolidated income statements is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net (Millions of Euros)		
	June 2023	June 2022
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(1)	39
<i>Financial assets at amortized cost</i>	35	8
<i>Other financial assets and liabilities</i>	(36)	31
Gains (losses) on financial assets and liabilities held for trading, net	283	11
<i>Reclassification of financial assets from fair value through other comprehensive income</i>	—	—
<i>Reclassification of financial assets from amortized cost</i>	—	—
<i>Other gains (losses)</i>	283	11
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(35)	(35)
<i>Reclassification of financial assets from fair value through other comprehensive income</i>	—	—
<i>Reclassification of financial assets from amortized cost</i>	—	—
<i>Other gains (losses)</i>	(35)	(35)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150	348
Gains (losses) from hedge accounting, net	73	16
Subtotal gains (losses) on financial assets and liabilities	469	379
Exchange differences, net	304	716
Total	773	1,096

The breakdown of the balance (excluding exchange rate differences) under this heading in the income statements by the nature of financial instrument is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)		
	June 2023	June 2022
Debt instruments	259	(1,354)
Equity instruments	467	(1,224)
Trading derivatives and hedge accounting	(865)	1,189
Loans and advances to customers	46	(100)
Customer deposits	(17)	179
Other	579	1,690
Total	469	379

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36. Other operating income and expense

The breakdown of the balance under the heading "Other operating income" in the condensed consolidated income statements is as follows:

Other operating income (Millions of Euros)		
	June 2023	June 2022
Gains from sales of non-financial services	184	135
Other operating income	149	161
Total	333	297

The breakdown of the balance under the heading "Other operating expense" in the condensed consolidated income statements is as follows:

Other operating expense (Millions of Euros)		
	June 2023	June 2022
Change in inventories	69	62
Contributions to guaranteed banks deposits funds	457	490
Hyperinflation adjustment ⁽¹⁾	822	916
Other operating expense ⁽²⁾	595	335
Total	1,944	1,803

(1) In the six months ended June 30, 2023, it includes €237 million due to Turkey and €571 million due to Argentina. In June 2022, it includes €554 million due to Turkey and €360 million due to Argentina.

(2) In the six months ended June 30, 2023, it includes €225 million corresponding to the estimated total annual amount of the temporary tax on credit institutions and financial credit establishments, according to Law 38/2022 of December 27, 2022.

37. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the condensed consolidated income statements is as follows:

Income and expense from insurance and reinsurance contracts (Millions of Euros)		
	June 2023	June 2022
Income from insurance and reinsurance contracts	1,645	1,343
Expense from insurance and reinsurance contracts	(1,065)	(802)
Total	580	540

38. Administration costs

38.1. Personnel expense

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

Personnel expense (Millions of Euros)			
	Notes	June 2023	June 2022
Wages and salaries		2,358	1,996
Social security costs		410	354
Defined contribution plan expense	24	69	41
Defined benefit plan expense	24	23	20
Other personnel expense		221	170
Total		3,081	2,582

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38.2. Other administrative expense

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

Other administrative expense. Breakdown by main concepts (Millions of Euros)		
	June 2023	June 2022
Technology and systems	799	663
Communications	107	98
Advertising	164	122
Property, fixtures and materials	249	216
Taxes other than income tax	228	170
Surveillance and cash courier services	120	104
Other expense	515	418
Total	2,181	1,790

39. Depreciation and amortization

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

Depreciation and amortization (Millions of Euros)		
	June 2023	June 2022
Tangible assets	415	405
For own use	261	237
Right-of-use assets	152	166
Investment properties and other	2	2
Intangible assets	261	247
Total	676	652

40. Provisions or reversal of provisions

In the six months ended June 30, 2023 and 2022 the net provisions recognized in this condensed income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)			
	Notes	June 2023	June 2022
Pensions and other post-employment defined benefit obligations	24	32	(49)
Commitments and guarantees given		14	27
Pending legal issues and tax litigation		72	105
Other provisions		11	29
Total		129	112

41. 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 condensed consolidated income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)			
	Notes	June 2023	June 2022
Financial assets at fair value through other comprehensive income - Debt securities	12.2	35	50
Financial assets at amortized cost		1,958	1,391
Of which: recovery of written-off assets by cash collection		(174)	(192)
Total		1,993	1,441

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42. 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 condensed consolidated income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)		
	June 2023	June 2022
Tangible assets	(3)	(22)
Intangible assets	10	5
Others	6	17
Total	13	—

43. Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

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

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)		
	June 2023	June 2022
Gains on sale of real estate	27	53
Impairment of non-current assets held for sale	2	(173)
Gains (losses) on sale of investments classified as non-current assets held for sale	—	—
Total	29	(120)

44. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are not material and are carried out under normal market conditions. As of June 30, 2023 and December 31, 2022, the transactions with related parties are the following:

44.1 Transactions with significant shareholders

As of June 30, 2023 and December 31, 2022 there were no shareholders considered significant.

44.2 Transactions with BBVA Group entities

The balances of the main captions in the condensed consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)		
	June 2023	December 2022
Assets		
Loans and advances to credit institutions	9	9
Loans and advances to customers	1,250	1,842
Debt securities	8	7
Liabilities		
Deposits from credit institutions	1	1
Customer deposits	155	204
Memorandum accounts		
Financial guarantees given	97	136
Other commitments given	765	751
Loan commitments given	5	10

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The balances of the main aggregates in the condensed consolidated income statements resulting from transactions with associates and joint venture entities are as follows:

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)		
	June 2023	June 2022
Income statement		
Interest and other income	15	10
Interest expense	2	—
Fee and commission income	2	3
Fee and commission expense	23	18

There were no other material effects in the Consolidated Financial Statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1 to the consolidated financial statements of 2022) and from the insurance policies to cover pension or similar commitments (see Note 25 to the consolidated financial statements of 2022) and the derivatives transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its regular activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the Consolidated Financial Statements.

44.3 Transactions with members of the Board of Directors and Senior Management

The transactions entered into between BBVA or its Group companies with members of the Board of Directors and Senior Management of the Bank or their related parties were within the scope of the ordinary course of business of the Bank and were immaterial, defined as transactions the disclosure of which is not necessary to present a true and fair view of the Bank's equity, financial position and results, and were concluded on normal markets terms or on terms applicable to the rest of employees.

The amount and nature of the main transactions carried out with members of the Board of Directors and Senior Management of the Bank, or their respective related parties, are shown below.

	Balance (thousands of Euros)							
	30th June 2023				31st December 2022			
	Directors	Related parties of Directors	Senior Management ⁽¹⁾	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management ⁽¹⁾	Related parties of Senior Management
Loans and credits	645	1,950	6,415	746	668	1,880	6,321	764
Bank guarantees	—	—	10	—	—	—	10	—

(1) Excluding executive directors.

The information on the remuneration and other benefits for the members of the BBVA Board of Directors and Senior Management is included in Note 45.

45. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

Note 54 of the report of the consolidated annual financial statements of the BBVA Group for the year ended December 31, 2022 sets out the remuneration and other benefits for members of the Board of Directors and Senior Management of the Bank, including a description of the remuneration policy and system applicable to them, as well as information on the conditions granting entitlement to the remuneration and other benefits for the year then ended. There now follows a description of the remuneration and other benefits of the members of the Board of Directors and Senior Management of the Bank for the first half of 2023 and 2022 in accordance with the applicable remuneration policies and systems.

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Remuneration of non-executive directors

The remuneration of non-executive directors corresponding to the first half of 2023 and 2022 is shown below, individualized and by remuneration item:

Remuneration of non-executive directors (thousands of Euros) ⁽¹⁾										
	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions ⁽²⁾	Total	
									June 2023	June 2022
José Miguel Andrés Torrecillas	64	83	50	—	—	58	—	25	280	263
Jaime Caruana Lacorte	64	83	66	53	—	—	—	—	267	284
Sonia Dulá ⁽³⁾	43	—	11	18	—	—	—	—	72	—
Raúl Galamba de Oliveira	64	—	—	71	—	8	21	40	205	153
Belén Garijo López	64	28	22	—	54	23	—	—	191	174
Connie Hedegaard Koksang	64	—	11	—	—	—	—	—	75	43
Lourdes Máiz Carro	64	—	33	—	21	—	—	—	119	119
José Maldonado Ramos	64	83	—	—	—	23	—	—	171	171
Ana Peralta Moreno	64	—	33	—	21	—	—	—	119	119
Juan Pi Llorens	64	—	—	89	—	23	21	—	198	243
Ana Revenga Shanklin	64	—	—	53	7	—	21	—	146	125
Susana Rodríguez Vidarte ⁽⁴⁾	32	42	—	27	—	12	—	—	112	224
Carlos Salazar Lomelín	64	—	—	—	21	—	—	—	86	86
Jan Verplancke	64	—	—	—	21	—	21	—	107	107
Total	847	320	226	312	146	146	86	65	2,149	2,111

(1) Includes amounts corresponding to the positions on the Board and its various Committees, the composition of which was modified on April 26, 2023 with effects as from May 1, 2023.

In addition, Carlos Salazar Lomelín received, in the first half of 2023 and 2022, a total of €58 thousand and €54 thousand, respectively, in attendance fees for his membership of the management body of BBVA México, S.A. and Grupo Financiero BBVA México, S.A. de C.V., and of strategy forum of BBVA México.

(2) Amounts corresponding to the positions of Deputy Chair of the Board of Directors and Lead Director.

(3) Director appointed at the General Meeting held on March 17, 2023. Remuneration received based on the date of acceptance of the position.

(4) Director who left office on March 17, 2023. Remuneration pertaining to her effective term of office in 2023.

In addition, in the first half of 2023 and 2022, €123 thousand and €110 thousand, respectively, were paid in respect of healthcare and accident insurance premiums for non-executive directors.

Remuneration system with deferred delivery of shares for non-executive directors

During the first half of 2023 and 2022, the following theoretical shares were allocated to the non-executive directors under the remuneration system with deferred delivery of shares, equivalent to 20% of the total annual fixed cash allowance received by each of them in financial years 2022 and 2021, respectively. 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.

	June 2023		June 2022	
	Theoretical shares allocated ⁽¹⁾	Theoretical shares accumulated at June 30	Theoretical shares allocated ⁽¹⁾	Theoretical shares accumulated at June 30
José Miguel Andrés Torrecillas	16,023	134,048	19,253	118,025
Jaime Caruana Lacorte	17,255	94,960	20,733	77,705
Sonia Dulá ⁽²⁾	0	0	0	0
Raúl Galamba de Oliveira	10,091	29,768	10,177	19,677
Belén Garijo López	10,603	101,192	12,741	90,589
Connie Hedegaard Koksang ⁽³⁾	3,263	3,263	0	0
Lourdes Máiz Carro	7,237	71,593	8,696	64,356
José Maldonado Ramos	10,397	146,874	12,493	136,477
Ana Peralta Moreno	7,237	42,329	8,696	35,092
Juan Pi Llorens	13,943	148,542	18,703	134,599
Ana Revenga Shanklin	8,035	24,214	8,611	16,179
Susana Rodríguez Vidarte ⁽⁴⁾	13,648	0	16,400	177,775
Carlos Salazar Lomelín	5,218	17,130	6,270	11,912
Jan Verplancke	6,521	35,772	7,835	29,251
Total	129,471	849,685	150,608	911,637

(1) The number of theoretical shares allocated has been calculated based on the average of the closing prices of the BBVA share during the 60 trading sessions prior to the General Meetings of March 17, 2023 and March 18, 2022, which was €6.58 and €5.47 per share, respectively.

(2) Director appointed at the General Meeting held on March 17, 2023; therefore, no theoretical shares will be allocated to her until 2024.

(3) Director appointed at the General Meeting held on March 18, 2022; therefore the allocation of theoretical shares was made for the first time in 2023.

(4) Director who left office on March 17, 2023. Under the system, she received a total of 191,423 BBVA shares following her departure, equivalent to the total number of theoretical shares accumulated up to that date.

Remuneration of executive directors

The remuneration of executive directors corresponding to the first half of 2023 and of 2022 is shown below, individualized and by remuneration item:

Annual Fixed Remuneration (thousands of Euros)		
	June 2023	June 2022
Chair	1,462	1,462
Chief Executive Officer	1,090	1,090
Total	2,551	2,551

In addition, in the first half of 2023 and 2022, and in accordance with the terms of his contract and the provisions of the BBVA Directors' Remuneration Policy applicable in each year, the Chief Executive Officer received the amounts of €327 thousand as "cash in lieu of pension" (equivalent to 30% of his Annual Fixed Remuneration) and €300 thousand as a mobility allowance.

Remuneration in kind (thousands of Euros)

Likewise, in the first half of 2023 and 2022, remuneration in kind was paid in favor of the executive directors, including insurance premiums and other items, amounting to €190 thousand and €259 thousand in the case of the Chair and €127 thousand and €151 thousand in the case of the Chief Executive Officer, respectively.

Annual Variable Remuneration (thousands of Euros)

The Annual Variable Remuneration (hereinafter, the "AVR") accrues and is awarded, if applicable, following the end of the corresponding financial year and, thus, no amount is shown for the first half of 2023 and 2022.

The amount of the Annual Variable Remuneration for 2023 will be determined in 2024, with the Upfront Portion (40%) to be paid in the first half of 2024, provided the relevant conditions are met. All of it, in accordance with applicable rules and conditions governing Annual Variable Remuneration, as set out in the BBVA Directors' Remuneration Policy approved by the General Meeting on March 17, 2023.

In the first half of 2023, the executive directors received the Upfront Portion (40%) of their Annual Variable Remuneration for 2022, in equal parts in cash and BBVA shares (€926 thousand and 158,169 shares in the case of the Chair and €712 thousand and 121,646

shares in the case of the Chief Executive Officer). The remaining 60% has been deferred (40% in cash and 60% in shares) over a period of 5 years (Deferred Portion) and will be paid, provided that the relevant conditions are met, proportionally, once each of the 5 years of deferral has elapsed, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the outcome of the multi-year performance indicators determined by the Board of Directors at the beginning of 2022. All of the foregoing, subject to the rules applicable to the Annual Variable Remuneration provided for in the BBVA Directors' Remuneration Policy approved by the General Meeting on April 20, 2021.

The executive directors likewise received, during the first half of 2023, the remuneration pertaining to the Deferred AVR for previous years, payment of which was due, following the end of financial year 2022. This remuneration was paid to the Chairman and Chief Executive Officer in the percentages applicable in each case, in accordance with the vesting and payment rules set out in the remuneration policies in force in each year:

- 2021 Deferred AVR: first payment (20% of the Deferred Portion) was made to the executive directors, including the update of its cash portion (€215 thousand and 57,325 shares in the case of the Chair and €164 thousand and 43,552 shares in the case of the Chief Executive Officer). Thereafter, 80% of the 2021 Deferred AVR is still deferred for both executive directors and will be paid, if the relevant conditions are met, in 2024, 2025, 2026 and 2027.
- 2019 Deferred AVR: first payment (60% of the Deferred Portion) was made to the executive directors, including the update of its cash portion, after having confirmed that no reduction should be made in view of the result of the multi-year performance indicators determined in 2019 by the Board of Directors (€513 thousand and 136,587 shares in the case of the Chair and €460 thousand and 122,572 shares in the case of the Chief Executive Officer). Thereafter, 40% of the 2019 Deferred AVR is still deferred for both executive directors and will be paid, if the relevant conditions are met, in 2024 and 2025.
- 2018 Deferred AVR: second payment (20% of the Deferred Portion) was made to the Chair, including the update of its cash portion (€128 thousand and 35,795 shares). Thereafter, 20% of the 2018 Deferred AVR is still deferred and will be paid, if the relevant conditions are met, in 2024. This remuneration is associated with his previous position as Chief Executive Officer.
- 2017 Deferred AVR: third and last payment (20% of the Deferred Portion) was made to the Chair, including the update of its cash portion (€154 thousand and 27,898 shares). After this, payment of the 2017 Deferred AVR of the Chair was concluded. This remuneration was associated with his previous position as Chief Executive Officer.

In attention to the exceptional circumstances arising from the COVID-19 crisis, the executive directors voluntarily waived the generation of the full 2020 AVR.

Pension commitments with executive directors

Executive directors (thousands of Euros)						
	Contributions ⁽¹⁾				Accumulated funds	
	Retirement		Death and disability		June 2023	June 2022
	June 2023	June 2022	June 2023	June 2022		
Chair	239	232	161	237	23,691	22,973
Chief Executive Officer	—	—	115	143	—	—
Total	239	232	276	379	23,691	22,973

(1) Contributions registered to meet pension commitments with executive directors in the proportional part for the first half of 2023 and 2022. In the case of the Chair, these contributions correspond to the sum of the annual retirement pension contribution and the adjustment made to the part qualifying as "discretionary pension benefits" for financial years 2022 and 2021, the contribution of which was to be made in 2023 and 2022, respectively, and to the premiums for death and disability in the portion corresponding to the first half of each financial year. In the case of the Chief Executive Officer, the contributions registered correspond solely to the insurance premiums paid by the Bank corresponding to the first half of each financial year to cover the contingencies of death and disability, as in his case, the Bank has not undertaken any commitments to cover the contingency of retirement.

Remuneration of members of Senior Management

The remuneration of all members of Senior Management, excluding executive directors, corresponding to the first half of 2023 and 2022 (16 members qualifying as such at June 30, 2023 and June 30, 2022) is as follows by remuneration item:

Fixed remuneration (thousands of Euros)		
	June 2023	June 2022
Senior Management Total	9,421	8,966

Remuneration in kind (thousands of Euros)

In the first half of 2023 and 2022, remuneration in kind, including insurance premiums and other items, was paid in favor of all members of Senior Management, excluding the executive directors, for a joint total of €756 thousand and €831 thousand, respectively.

Annual Variable Remuneration (thousands of Euros)

The Annual Variable Remuneration accrues and is awarded, if applicable, following the end of the corresponding financial year and, thus, no amount is shown for the first half of 2023 and 2022.

The amount of the Annual Variable Remuneration for 2023 will be determined in 2024, with the Upfront Portion (40%) to be paid in the first half of 2024, provided the relevant conditions are met. All of it, in accordance with the rules and conditions governing the Annual Variable Remuneration of members of Senior Management, as set out in the BBVA Group's General Remuneration Policy approved by the Board of Directors on March 29, 2023.

In the first half of 2023, the members of Senior Management received the Upfront Portion (40%) of their Annual Variable Remuneration for 2022, in equal parts in cash and BBVA shares, for a total of €2,158 thousand and 365,746 shares for all members of Senior Management. The remaining 60% has been deferred (40% in cash and 60% in shares) over a period of 5 years (Deferred Portion) and will be paid, provided that the relevant conditions are met, proportionally, once each of the 5 years of deferral has elapsed, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the outcome of the multi-year performance indicators determined by the Board of Directors at the beginning of 2022. All of the foregoing, subject to the rules applicable to the Annual Variable Remuneration provided for in the BBVA Group's General Remuneration Policy, as approved by the Board of Directors on June 30, 2021.

Members of Senior Management likewise received, in the first half of 2023, the remuneration pertaining to the Deferred AVR for previous years, payment of which was due, following the end of financial year 2022. This remuneration was paid in the percentages applicable in each case, in accordance with the vesting and payment rules set out in the remuneration policies in force in each year:

- 2021 Deferred AVR: first payment (20% of the Deferred Portion) was made, including the update of its cash portion. Under this item, all members of Senior Management jointly received a total of €477 thousand and 124,602 shares. Thereafter, 80% of the 2021 Deferred AVR is still deferred, and will be paid, if the relevant conditions are met, in 2024, 2025, 2026 and 2027.
- 2019 Deferred AVR: first payment (60% of the Deferred Portion) or payment in full (depending on the payment schedule applicable to each beneficiary under the policies in force in 2019) was made, including the update of its cash portion, after having confirmed that no reduction should be made in view of the result of the multi-year performance indicators determined by the Board of Directors in 2019. In addition, first payment of the deferred portion of a retention plan was made to two members of Senior Management. Under these items, all members of Senior Management jointly received a total of €1,364 thousand and 320,172 shares. Thereafter, for certain members of Senior Management, 40% of the 2019 Deferred AVR and of the retention plans of the two members who are beneficiaries is still deferred and will be paid, if the relevant conditions are met, in 2024 and 2025.
- 2018 Deferred AVR: second payment (20% of the Deferred Portion) was made, including the update of its cash portion. Under this item, all members of Senior Management jointly received a total of €155 thousand and 41,442 shares. Thereafter, 20% of the 2018 Deferred AVR is still deferred and will be paid, if the relevant conditions are met, in 2024.
- 2017 Deferred AVR: third and last payment (20% of the Deferred Portion) was made, including the update of its cash portion. Under this item, all members of Senior Management jointly received a total of €171 thousand and 29,267 shares. After this, payment of the 2017 Deferred AVR to its beneficiaries was concluded.

In attention to the exceptional circumstances arising from the COVID-19 crisis, the members of Senior Management voluntarily waived the generation of the full 2020 AVR.

Pension commitments with members of Senior Management

Senior Management (thousands of Euros)

	Contributions ⁽¹⁾				Accumulated funds	
	Retirement		Death and disability		June 2023	June 2022
	June 2023	June 2022	June 2023	June 2022		
Senior Management Total	2,048	1,875	625	730	33,182	28,076

(1) Contributions registered to meet pension commitments with all members of Senior Management, excluding executive directors, in the proportional part for the first half of 2023 and 2022, equivalent to the sum of the annual retirement pension contributions and the adjustments made to the part qualifying as "discretionary pension benefits" for financial years 2022 and 2021, the contribution to which was to be made in 2023 and 2022, respectively, and to the insurance premiums paid by the Bank for the contingencies of death and disability in the portion corresponding to the first half of each financial year.

Payments for the termination of the contractual relationship

In accordance with the BBVA Directors' Remuneration Policy, the Bank has no commitments to make severance payments to executive directors.

With regard to Senior Management, excluding the executive directors, the Bank did not make any payments arising from the termination of contractual relationships in the first half of 2023 and 2022.

46. Other information

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

Dividends paid

The table below presents the dividends per share paid in cash during the six months ended June 30, 2023 and 2022 (cash basis dividend, regardless of the year in which they were accrued):

Paid Dividends						
	June 2023			June 2022		
	% Over nominal	Euros per share	Amount (Millions of Euros) ⁽¹⁾	% Over nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	63.27 %	0.31	1,860	46.94 %	0.23	1,467
Rest of shares	—	—	—	—	—	—
Total dividends paid in cash	63.27 %	0.31	1,860	46.94 %	0.23	1,467
Dividends with charge to income	63.27 %	0.31	1,860	—	—	—
Dividends with charge to reserve or share premium	—	—	—	46.94 %	0.23	1,467
Dividends in kind	—	—	—	—	—	—

(1) See Note 4

Ordinary income and attributable profit by operating segment

The detail of the consolidated ordinary income and profit for each operating segment is as follows for the six months ended June 30, 2023 and 2022:

Ordinary income and attributable profit by operating segment (Millions of Euros)				
	Income from ordinary activities ^{(1) (2)}		Profit/ (loss) ^{(2) (3)}	
	June 2023	June 2022	June 2023	June 2022
Spain	7,699	4,396	1,231	801
Mexico	10,649	7,165	2,614	1,781
Turkey	3,779	3,661	525	59
South America	5,993	3,799	367	418
Rest of Business	1,412	509	212	128
Subtotal operating segments	29,531	19,529	4,950	3,188
Corporate Center	(616)	(68)	(1,072)	(230)
Total	28,916	19,461	3,878	2,957

(1) The line comprises interest income; dividend income; fee and commission income; gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains (losses) on financial assets and liabilities held for trading, net; gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net; gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; gains (losses) from hedge accounting, net; other operating income; and income from insurance and reinsurance contracts.

(2) Restated balances according to IFRS17 - Insurance contracts (see Note 2.1).

(3) See Note 5.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Interest income and similar income by geographical area

The breakdown of the balance of "Interest income and similar income" in the consolidated income statements by geographical area is as follows:

Interest income. Breakdown by geographical area (Millions of Euros)			
	Notes	June 2023	June 2022
Domestic		5,440	2,256
Foreign		16,457	11,147
European Union		480	179
Eurozone		378	116
Not Eurozone		103	63
Other countries		15,977	10,968
Total	32.1	21,897	13,403
Of which BBVA, S.A.:			
Domestic		5,321	2,087
Foreign		983	239
European Union		236	65
Eurozone		236	65
Not Eurozone		—	—
Other countries		747	173
Total		6,304	2,326

Average number of employees

The breakdown of the average number of employees in the BBVA Group as of June 30, 2023 and 2022 is as follows:

Average number of employees		
	June 2023	June 2022
BBVA Group	117,320	111,649
Men	55,863	52,586
Women	61,457	59,063
Of which BBVA, S.A.:	22,065	21,132
Men	10,799	10,290
Women	11,266	10,842

47. Subsequent events

On July 21, 2023, and once the prior consent from the Regulator has been obtained, BBVA hereby announced its irrevocable decision to early redeem on September 24, 2023 the issuance of preferred securities contingently convertible into ordinary shares of BBVA, carried out by BBVA on September 24, 2018 for a total amount of € 1,000 million.

BBVA requested on July, 27 2023 to the European Central Bank the correspondent supervisory authorization in order to carry out a buy-back program of BBVA shares up to €1,000 million. Its execution, if the authorization requested is finally granted, would be subject to the adoption of the correspondent corporate resolutions and to the communication of the specific terms and conditions of the share buy-back program before its execution. This share buy-back program would be considered to be an extraordinary shareholder distribution and is therefore not included in the scope of the ordinary distribution policy (see Note 4).

From July 1, 2023 to the date of preparation of these Consolidated Financial Statements, no other subsequent event requiring disclosure in these Consolidated Financial Statements has taken place that significantly affect the Group's earnings or its consolidated equity position.

48. Explanation added for translation into English

These Consolidated Financial Statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.



Appendices

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I. Interim Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)	June 2023	December 2022 ⁽¹⁾
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	44,609	52,973
FINANCIAL ASSETS HELD FOR TRADING	123,354	91,391
Derivatives	37,378	35,023
Equity instruments	3,105	3,361
Debt securities	18,280	11,318
Loans and advances to central banks	2,165	1,632
Loans and advances to credit institutions	46,874	23,969
Loans and advances to customers	15,552	16,089
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	626	546
Equity instruments	429	438
Debt securities	147	107
Loans and advances to central banks	—	—
Loans and advances to credit institutions	50	—
Loans and advances to customers	—	—
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	—	—
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	21,273	24,854
Equity instruments	1,069	977
Debt securities	20,204	23,877
FINANCIAL ASSETS AT AMORTIZED COST	251,814	246,950
Debt securities	30,597	25,313
Loans and advances to central banks	57	10
Loans and advances to credit institutions	10,011	9,329
Loans and advances to customers	211,149	212,297
DERIVATIVES - HEDGE ACCOUNTING	1,019	1,169
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	(137)	(148)
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	22,948	21,960
Subsidiaries	22,629	21,644
Joint ventures	24	36
Associates	295	280
TANGIBLE ASSETS	3,320	3,531
Property, plant and equipment	3,226	3,432
For own use	3,226	3,432
Other assets leased out under an operating lease	—	—
Investment properties	94	99
INTANGIBLE ASSETS	867	855
Goodwill	—	—
Other intangible assets	867	855
TAX ASSETS	12,414	12,479
Current	1,807	1,629
Deferred	10,607	10,850
OTHER ASSETS	3,369	1,677
Insurance contracts linked to pensions	1,300	1,337
Inventories	163	—
Other	1,905	340
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	578	651
TOTAL ASSETS	486,054	458,888

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LIABILITIES AND EQUITY (Millions of Euros)		
	June 2023	December 2022 ⁽¹⁾
FINANCIAL LIABILITIES HELD FOR TRADING	113,964	80,853
Trading derivatives	33,197	30,954
Short positions	15,019	11,408
Deposits from central banks	5,653	2,161
Deposits from credit institutions	48,158	28,107
Customer deposits	11,937	8,224
Debt certificates	—	—
Other financial liabilities	—	—
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,166	1,859
Deposits from central banks	—	—
Deposits from credit institutions	—	—
Customer deposits	2,166	1,859
Debt certificates	—	—
Other financial liabilities	—	—
<i>Of which: Subordinated liabilities</i>	—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	328,167	335,941
Deposits from central banks	9,968	32,517
Deposits from credit institutions	32,102	20,200
Customer deposits	230,091	234,797
Debt certificates	44,623	38,511
Other financial liabilities	11,382	9,915
<i>Of which: Subordinated liabilities</i>	10,711	9,106
DERIVATIVES - HEDGE ACCOUNTING	2,736	2,599
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	—	—
PROVISIONS	3,200	3,385
Provisions for pensions and similar obligations	1,942	2,085
Other long term employee benefits	419	433
Provisions for taxes and other legal contingencies	388	388
Commitments and guarantees given	254	280
Other provisions	196	198
TAX LIABILITIES	930	943
Current	203	190
Deferred	727	753
OTHER LIABILITIES	2,694	2,552
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	—	—
TOTAL LIABILITIES	453,856	428,133

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LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	June 2023	December 2022 ⁽¹⁾
SHAREHOLDERS' FUNDS	34,039	32,928
Capital	2,923	2,955
Paid up capital	2,923	2,955
Unpaid capital which has been called up	—	—
Share premium	20,514	20,856
Equity instruments issued other than capital	—	—
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	31	49
Retained earnings	7,562	5,453
Revaluation reserves	—	—
Other reserves	(562)	(474)
Less: Treasury shares	(3)	(3)
Profit or loss of the period	3,574	4,816
Less: Interim dividends	—	(724)
ACCUMULATED OTHER COMPREHENSIVE INCOME	(1,841)	(2,172)
Items that will not be reclassified to profit or loss	(1,137)	(1,215)
Actuarial gains or (-) losses on defined benefit pension plans	(32)	(32)
Non-current assets and disposal groups classified as held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1,163)	(1,256)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	58	72
Items that may be reclassified to profit or loss	(703)	(957)
Hedge of net investments in foreign operations (effective portion)	—	—
Foreign currency translation	—	—
Hedging derivatives. Cash flow hedges (effective portion)	(313)	(492)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(390)	(464)
Hedging instruments (non-designated items)	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	32,198	30,756
TOTAL EQUITY AND TOTAL LIABILITIES	486,054	458,888

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)

	June 2023	December 2022 ⁽¹⁾
Loan commitments given	107,330	95,948
Financial guarantees given	16,805	16,305
Contingent commitments given	26,840	26,850

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INCOME STATEMENTS (Millions of Euros)

	June 2023	June 2022 ⁽¹⁾
Interest and other income	6,304	2,326
Financial assets and liabilities at fair value through other comprehensive income	179	182
Financial assets at amortized cost	5,246	1,801
Other interest income	879	343
Interest expense	(3,743)	(561)
NET INTEREST INCOME	2,561	1,765
Dividend income	3,195	1,485
Fee and commission income	1,345	1,323
Fee and commission expense	(274)	(234)
Gains (losses) on recognition of financial assets and liabilities not measured at fair value through profit or loss, net	(51)	(1)
Financial assets at amortized cost	—	—
Other financial assets and liabilities	(51)	(1)
Gains (losses) from hedge accounting, net	(171)	215
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other gains or losses	(171)	215
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss, net	22	(48)
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other gains or losses	22	(48)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(2)	81
Gains (losses) from hedge accounting, net	73	3
Exchange differences,	40	59
Other operating income	244	165
Other operating expense	(486)	(325)
GROSS INCOME	6,495	4,489
Administration costs	(2,005)	(1,808)
Personnel expense	(1,161)	(1,040)
Other administrative expense	(844)	(767)
Depreciation and amortization	(320)	(317)
Provisions or reversal of provisions	(43)	(11)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(259)	(183)
Financial assets at amortized cost	(262)	(166)
Financial assets at fair value through other comprehensive income	4	(17)
NET OPERATING INCOME	3,869	2,170
Impairment or reversal of impairment of investments in joint ventures and associates	31	634
Impairment or reversal of impairment on non-financial assets	8	47
Tangible assets	13	47
Intangible assets	(5)	(1)
Other assets	—	1
Gains (losses) on derecognized assets not classified as non-current assets held for sale, net	(1)	1
Negative goodwill recognized in profit or loss	—	—
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	3	(10)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	3,910	2,843
Tax expense or income related to profit or loss from continuing operations	(337)	(240)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	3,574	2,603
Profit or loss after tax from discontinued operations	—	—
PROFIT FOR THE PERIOD	3,574	2,603

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STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	June 2023	June 2022 ⁽¹⁾
PROFIT RECOGNIZED IN INCOME STATEMENT	3,574	2,603
OTHER RECOGNIZED INCOME (EXPENSES)	332	(301)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	78	401
Actuarial gains (losses) from defined benefit pension plans	(1)	33
Non-current assets available for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	93	283
Gains or 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	(19)	135
Income tax related to items not subject to reclassification to income statement	6	(50)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	253	(702)
Hedge of net investments in foreign operations [effective portion]	—	—
Foreign currency translation	—	—
Translation gains or (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	256	(313)
Valuation gains or (losses) taken to equity	256	(343)
Transferred to profit or loss	—	29
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments [non-designated elements]	—	—
Debt securities at fair value through other comprehensive income	106	(690)
Valuation gains (losses)	57	(690)
Amounts reclassified to income statement	49	—
Reclassifications (other)	—	—
Non-current assets held for sale and disposal groups held for sale	—	—
Valuation gains (losses)	—	—
Income tax related to items subject to reclassification to income statement	(109)	301
TOTAL RECOGNIZED INCOME/EXPENSES	3,905	2,302

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Statement of changes in equity for the six months ended June 30, 2023 of BBVA, S.A.

STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2023	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2023	2,955	20,856	—	49	5,453	—	(474)	(3)	4,816	(724)	(2,172)	30,756
Total income (expense) recognized	—	—	—	—	—	—	—	—	3,574	—	332	3,905
Other changes in equity	(32)	(342)	—	(18)	2,109	—	(88)	—	(4,816)	724	—	(2,463)
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	(32)	(342)	—	—	25	—	(74)	422	—	—	—	—
Dividend distribution	—	—	—	—	(1,860)	—	—	—	—	—	—	(1,860)
Purchase of treasury shares	—	—	—	—	—	—	—	(799)	—	—	—	(799)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(12)	377	—	—	—	364
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	2	4,092	—	(2)	—	(4,816)	724	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(28)	—	—	—	—	—	—	—	(28)
Other increases or (-) decreases in equity	—	—	—	7	(148)	—	—	—	—	—	—	(141)
Balances as of June 30, 2023	2,923	20,514	—	31	7,562	—	(562)	(3)	3,574	—	(1,841)	32,198

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Statement of changes in equity for the six months ended June 30, 2022 of BBVA, S.A.

STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2022 ⁽¹⁾	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2022	3,267	23,599	—	49	6,436	—	(1,026)	(574)	1,080	(533)	(1,461)	30,836
Total income(expense) recognized	—	—	—	—	—	—	—	—	2,603	—	(301)	2,302
Other changes in equity	(138)	(1,265)	—	(12)	(972)	—	90	(431)	(1,080)	533	2	(3,273)
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	(138)	(1,265)	—	—	110	—	(207)	1,500	—	—	—	—
Dividend distribution	—	—	—	—	(1,467)	—	—	—	—	—	—	(1,467)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,145)	—	—	—	(2,145)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(6)	215	—	—	—	208
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	1	547	—	(2)	—	(1,080)	533	2	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	(13)	(162)	—	306	—	—	—	—	130
Balances as of June 30, 2022	3,129	22,333	—	36	5,464	—	(937)	(1,005)	2,603	—	(1,760)	29,865

(1) Presented for comparison purposes only.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

CASH FLOW STATEMENTS (Millions of Euros)		
	June 2023	June 2022 ⁽¹⁾
A) CASH FLOW FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	(7,322)	17,237
1. Profit for the period	3,574	2,603
2. Adjustments to obtain the cash flow from operating activities:	701	(620)
Depreciation and amortization	320	317
Other adjustments	381	(937)
3. Net increase/decrease in operating assets	(35,453)	(7,154)
Financial assets held for trading	(31,963)	4,615
Non-trading financial assets mandatorily at fair value through profit or loss	(80)	(195)
Other financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	3,580	(740)
Financial assets at amortized cost	(4,893)	(8,766)
Other operating assets	(2,098)	(2,068)
4. Net increase/decrease in operating liabilities	24,046	22,456
Financial liabilities held for trading	33,110	7,528
Other financial liabilities designated at fair value through profit or loss	306	(467)
Financial liabilities at amortized cost	(9,332)	13,869
Other operating liabilities	(38)	1,527
5. Collection/Payments for income tax	(189)	(49)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(278)	(3,418)
1. Investment	(404)	(3,632)
Tangible assets	(12)	(13)
Intangible assets	(179)	(186)
Investments in subsidiaries, joint ventures and associates	(213)	(3,433)
Other business units	—	—
Non-current assets held for sale and associated liabilities	—	—
Other settlements related to investing activities	—	—
2. Divestments	126	214
Tangible assets	1	5
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	17	44
Other business units	—	—
Non-current assets held for sale and associated liabilities	109	164
Other collections related to investing activities	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(866)	(4,236)
1. Investment	(2,952)	(4,430)
Dividends (or remuneration to partners)	(1,860)	(1,467)
Subordinated liabilities	(198)	(730)
Common stock amortization	(32)	—
Treasury stock acquisition	(767)	(2,145)
Other items relating to financing activities	(95)	(88)
2. Divestments	2,086	194
Subordinated liabilities	1,750	—
Common stock increase	—	—
Treasury stock disposal	336	194
Other items relating to financing activities	—	—
D) EFFECT OF EXCHANGE RATE CHANGES	101	(420)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A + B + C + D)	(8,364)	9,162
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	52,973	38,821
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E + F)	44,609	47,983
COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD (Millions of Euros)		
	June 2023	June 2022 ⁽¹⁾
Cash	902	808
Balance of cash equivalent in central banks	41,569	45,598
Other financial assets	2,139	1,576
Less: Bank overdraft refundable on demand	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	44,609	47,983

(1) Presented for comparison purposes only.

This Appendix is an integral part of Note 1.7 of the Consolidated Financial Statements for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX II. Quantitative information on refinancing and restructuring operations and other requirements under Bank of Spain Circular 6/2012

a. Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of June 30, 2023 and December 31, 2022, is as follows:

JUNE 2023 BALANCE OF FORBEARANCE (Millions of Euros)							
TOTAL							Accumulated impairment or accumulated losses in fair value due to credit risk
Unsecured loans				Secured loans			
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		
Credit institutions	—	—	—	—	—	—	—
General Governments	53	33	24	9	6	—	(7)
Other financial corporations and individual entrepreneurs (financial business)	316	20	22	11	4	2	(6)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	83,147	4,876	10,992	2,534	1,053	194	(2,876)
<i>Of which: financing the construction and property (including land)</i>	<i>770</i>	<i>460</i>	<i>814</i>	<i>322</i>	<i>138</i>	<i>23</i>	<i>(469)</i>
Other households ⁽¹⁾	216,098	1,338	66,283	4,681	3,490	21	(1,551)
Total	299,614	6,267	77,321	7,235	4,553	217	(4,440)
Of which: IMPAIRED							
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		
Credit institutions	—	—	—	—	—	—	—
General Governments	25	16	23	9	6	—	(6)
Other financial corporations and individual entrepreneurs (financial business)	235	5	18	6	4	—	(5)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	62,204	2,650	6,699	1,447	418	63	(2,428)
<i>Of which: financing the construction and property (including land)</i>	<i>584</i>	<i>453</i>	<i>615</i>	<i>230</i>	<i>71</i>	<i>17</i>	<i>(452)</i>
Other households ⁽¹⁾	134,357	874	35,322	2,756	1,830	4	(1,395)
Total	196,821	3,545	42,062	4,217	2,257	67	(3,833)

(1) Number of operations does not include Garanti BBVA. Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

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DECEMBER 2022 BALANCE OF FORBEARANCE (Millions of Euros)							
TOTAL							
Unsecured loans				Secured loans			
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk	
				Real estate mortgage secured	Rest of secured loans		
Credit institutions	—	—	—	—	—	—	—
General Governments	57	38	24	9	6	—	(9)
Other financial corporations and individual entrepreneurs (financial business)	303	10	22	6	1	3	(7)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	75,713	5,882	8,687	2,792	1,238	223	(3,303)
Of which: financing the construction and property (including land)	460	479	819	383	164	33	(497)
Other households ⁽¹⁾	231,910	1,412	79,666	4,969	3,702	20	(1,601)
Total	307,983	7,343	88,399	7,778	4,946	246	(4,920)
Of which: IMPAIRED							
Unsecured loans				Secured loans			
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk	
				Real estate mortgage secured	Rest of secured loans		
Credit institutions	—	—	—	—	—	—	—
General Governments	26	20	23	9	5	—	(8)
Other financial corporations and individual entrepreneurs (financial business)	232	9	17	4	—	1	(7)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	59,944	3,104	6,005	1,604	500	66	(2,815)
Of which: financing the construction and property (including land)	414	475	620	269	82	22	(480)
Other households ⁽¹⁾	124,228	871	37,043	2,514	1,607	4	(1,412)
Total	184,430	4,004	43,088	4,130	2,113	70	(4,242)

(1) Number of operations does not include Garanti BBVA. Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of June 30, 2023 and December 31, 2022:

Forbearance operations. Breakdown by segments (Millions of Euros)		
	June 2023	December 2022
Credit institutions	—	—
Central governments	35	39
Other financial corporations and individual entrepreneurs (financial activity)	24	9
Non-financial corporations and individual entrepreneurs (non-financial activity)	4,534	5,371
Of which: Financing the construction and property development (including land)	313	365
Households	4,468	4,780
Total carrying amount	9,062	10,200

NPL ratio by type of renegotiated loan

The non-performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

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As of June 30, 2023 and December 31, 2022, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

NPL ratio renegotiated loan portfolio		
	June 2023	December 2022
General governments	60 %	61 %
Commercial	55 %	54 %
Of which: Construction and developer	87 %	86 %
Other consumer	60 %	53 %

b. Qualitative information on the concentration of risk by activity and guarantees

June 2023 (Millions of Euros)								
	Total ⁽¹⁾	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	22,671	301	6,117	1,400	1,730	391	2,847	49
Other financial institutions and individual entrepreneurs	22,538	313	13,094	259	95	143	4,538	8,373
Non-financial institutions and individual entrepreneurs	173,699	24,375	10,246	11,359	7,370	4,563	3,535	7,794
Construction and property development	5,657	3,965	480	1,655	1,092	751	265	682
Construction of civil works	6,525	615	291	260	178	107	22	339
Other purposes	161,517	19,795	9,475	9,444	6,100	3,705	3,248	6,772
Large companies	104,951	7,230	4,871	3,627	2,050	1,488	1,556	3,380
SMEs ⁽²⁾ and individual entrepreneurs	56,566	12,565	4,604	5,818	4,051	2,217	1,691	3,392
Rest of households and NPISHs ⁽³⁾	158,901	94,056	2,205	21,839	25,970	30,511	12,590	5,351
Housing	96,377	92,744	117	21,278	25,583	30,264	10,936	4,800
Consumption	56,563	503	1,905	264	225	136	1,502	282
Other purposes	5,960	809	183	298	162	111	151	270
TOTAL	377,809	119,045	31,662	34,857	35,164	35,609	23,509	21,567
MEMORANDUM ITEM:								
Forbearance operations ⁽⁴⁾	9,062	5,199	294	1,278	1,041	1,040	945	1,188

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

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

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December 2022 (Millions of Euros)

	Total ⁽¹⁾	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	20,661	297	5,382	1,121	1,555	338	1,919	746
Other financial institutions and individual entrepreneurs	23,484	336	15,430	296	128	139	3,644	11,560
Non-financial institutions and individual entrepreneurs	172,854	25,454	6,829	9,902	6,972	4,495	2,958	7,956
Construction and property development	5,166	3,701	201	1,468	1,083	660	247	445
Construction of civil works	5,582	610	317	276	185	104	45	318
Other purposes	162,106	21,143	6,311	8,159	5,704	3,732	2,666	7,194
Large companies	105,852	7,509	3,771	3,308	1,839	1,218	1,358	3,557
SMEs ⁽²⁾ and individual entrepreneurs	56,254	13,634	2,540	4,851	3,866	2,514	1,307	3,637
Rest of households and NPISHs ⁽³⁾	150,095	93,556	1,990	21,473	25,693	29,940	13,114	5,327
Housing	95,237	92,264	123	20,886	25,325	29,696	11,564	4,915
Consumption	50,295	461	1,660	266	166	111	1,403	176
Other purposes	4,564	831	208	321	202	133	147	235
TOTAL	367,095	119,644	29,632	32,792	34,348	34,911	21,636	25,589
MEMORANDUM ITEM:								
Forbearance operations ⁽⁴⁾	10,200	5,685	174	1,351	1,130	1,167	884	1,327

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

(2) Small and medium enterprises

(3) Non-profit institutions serving households.

(4) Net of provisions.

c. Information on the concentration of risk by activity and geographical area

June 2023 (Millions of Euros)

	TOTAL ⁽¹⁾	Spain	European Union Other	America	Other
Credit institutions	186,551	50,670	57,340	44,461	34,080
General governments	144,700	57,631	17,163	56,581	13,325
Central Administration	120,726	42,737	16,635	49,117	12,237
Other	23,974	14,895	528	7,464	1,087
Other financial institutions and individual entrepreneurs	49,539	10,094	12,843	17,630	8,973
Non-financial institutions and individual entrepreneurs	236,415	79,911	23,260	87,690	45,554
Construction and property development	9,225	2,861	718	2,536	3,111
Construction of civil works	10,801	6,395	927	1,021	2,458
Other purposes	216,389	70,656	21,615	84,133	39,985
Large companies	153,590	44,383	20,984	60,344	27,879
SMEs and individual entrepreneurs	62,798	26,273	630	23,789	12,106
Other households and NPISHs	159,411	89,265	2,579	56,596	10,972
Housing	96,378	69,602	1,420	23,991	1,366
Consumer	56,564	14,707	828	31,990	9,039
Other purposes	6,469	4,956	331	615	567
TOTAL	776,615	287,571	113,184	262,957	112,903

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

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December 2022 (Millions of Euros)

	TOTAL ⁽¹⁾	Spain	European Union Other	America	Other
Credit institutions	166,533	58,290	36,043	42,872	29,328
General governments	127,562	52,873	13,677	47,261	13,752
Central Administration	106,827	39,349	13,153	41,201	13,124
Other	20,736	13,524	524	6,060	628
Other financial institutions and individual entrepreneurs	49,608	9,884	16,254	15,090	8,380
Non-financial institutions and individual entrepreneurs	235,280	81,464	25,039	80,016	48,761
Construction and property development	8,590	2,636	659	2,149	3,146
Construction of civil works	9,361	5,942	1,078	1,037	1,304
Other purposes	217,329	72,886	23,302	76,830	44,311
Large companies	154,798	45,864	22,686	54,975	31,274
SMEs and individual entrepreneurs	62,531	27,023	616	21,855	13,038
Other households and NPISHs	150,496	88,548	2,591	48,756	10,602
Housing	95,238	70,901	1,483	21,455	1,398
Consumer	50,296	14,595	236	26,697	8,768
Other purposes	4,962	3,052	871	604	436
TOTAL	729,480	291,059	93,603	233,994	110,823

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

This appendix is an integral part of the Note 6.2 of the Consolidated Financial Statement for the six months ended June 30, 2023.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX III. Additional information on risk concentration

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

The following quantitative information on real-estate activities in Spain has been prepared using the reporting models required by Bank of Spain Circular 5/2011, of November 30.

Lending for real estate development of the loans as of June 30, 2023, and December 31, 2022 is shown below:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)						
	Gross amount		Drawn over the guarantee value		Accumulated impairment	
	June 2023	December 2022	June 2023	December 2022	June 2023	December 2022
Financing to construction and real estate development (including land) (Business in Spain)	2,031	1,861	438	350	(143)	(157)
Of which: Impaired assets	210	239	65	82	(114)	(122)
Memorandum item:						
Write-offs	2,082	2,086				
Memorandum item:						
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	169,651	172,880				
Total consolidated assets (total business) (book value)	762,456	712,092				
Impairment and provisions for normal exposures	(4,754)	(4,622)				

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)		
	June 2023	December 2022
Without secured loan	332	232
With secured loan	1,699	1,629
Terminated buildings	830	898
Homes	660	710
Other	170	188
Buildings under construction	725	556
Homes	707	536
Other	18	21
Land	144	175
Urbanized land	95	119
Rest of land	49	56
Total	2,031	1,861

The table below provides the breakdown of the financial guarantees given as of June 30, 2023 and December 31, 2022:

Financial guarantees given (Millions of Euros)		
	June 2023	December 2022
Houses purchase loans	40	54
Without mortgage	3	3

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The information on the retail mortgage portfolio risk (housing mortgage) as of June 30, 2023 and December 31, 2022 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	
	June 2023	December 2022	June 2023	December 2022
Houses purchase loans	70,503	71,799	2,850	2,486
Without mortgage	1,445	1,539	9	8
With mortgage	69,058	70,260	2,840	2,477

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

LTV breakdown of mortgage to households for the purchase of a home (business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan to value-LTV)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
Gross amount June 30, 2023	16,955	19,836	22,416	6,080	3,771	69,058
Of which: Impaired loans	265	400	523	529	1,123	2,840
Gross amount December 31, 2022	16,981	20,060	22,255	6,794	4,171	70,260
Of which: Impaired loans	248	341	438	450	999	2,477

Outstanding home mortgage loans as of June 30, 2023 and December 31, 2022 had an average LTV of 42.5% and 43.0%, respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (business in Spain) (Millions of Euros)

	Gross Value ^{(1) (2)}		Provisions		Of which: Valuation adjustments on impaired assets, from the time of foreclosure		Carrying amount	
	June 2023	December 2022	June 2023	December 2022	June 2023	December 2022	June 2023	December 2022
Real estate assets from loans to the construction and real estate development sectors in Spain	483	539	(366)	(389)	(218)	(229)	117	150
Terminated buildings	107	125	(62)	(72)	(35)	(38)	45	54
Homes	43	49	(22)	(25)	(10)	(11)	21	24
Other	64	76	(40)	(47)	(25)	(27)	24	30
Buildings under construction	16	21	(12)	(16)	(6)	(8)	3	5
Homes	15	20	(11)	(15)	(6)	(7)	3	5
Other	1	1	(1)	(1)	(1)	—	—	—
Land	360	393	(291)	(302)	(177)	(183)	69	91
Urbanized land	341	366	(277)	(285)	(167)	(170)	63	81
Rest of land	20	27	(14)	(17)	(11)	(12)	6	10
Real estate assets from mortgage financing for households for the purchase of a home	637	736	(356)	(410)	(121)	(134)	281	327
Rest of foreclosed real estate assets	414	449	(254)	(270)	(79)	(80)	160	179
Equity instruments, investments and financing to non-consolidated companies holding said assets ⁽³⁾	—	656	—	(397)	—	(358)	—	259
Total	1,534	2,381	(975)	(1,466)	(418)	(801)	558	915

(1) Represents original loan value at the time of foreclosure.

(2) The value of real estate assets foreclosed or received in payment of debts should be initially recognized at the lower of the carrying amount of the financial assets and the fair value at the time of foreclosure less estimated sales costs. The gross value of the assets acquired in payment of debts is €976 million and €1,716 million as of June 30, 2023 and December 31, 2022, respectively.

(3) In 2023 Metrovacesa's stake is excluded. Given its corporate purpose and the transformation and turnover of its assets, these are not considered to come from foreclosures.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX IV. Consolidated income statements for the six months ended June 30, 2023 and 2022 and for the second quarter of 2023 and 2022

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)				
	June 2023	June 2022 ⁽¹⁾	2nd Quarter 2023	2nd Quarter 2022 ⁽¹⁾
Interest and other income	21,897	13,403	11,328	7,434
Financial assets at fair value through other comprehensive income	1,913	1,304	1,072	801
Financial assets at amortized cost	17,305	10,395	9,061	5,654
Other interest income	2,679	1,704	1,196	979
Interest expense	(10,487)	(4,865)	(5,560)	(2,839)
NET INTEREST INCOME	11,410	8,538	5,768	4,595
Dividend income	73	76	69	72
Share of profit or loss of entities accounted for using the equity method	14	15	8	10
Fee and commission income	4,498	3,964	2,246	2,097
Fee and commission expense	(1,590)	(1,305)	(777)	(684)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(1)	39	(24)	5
Financial assets at amortized cost	35	8	24	1
Other financial assets and liabilities	(36)	31	(48)	4
Gains (losses) on financial assets and liabilities held for trading, net	283	11	(48)	(160)
Reclassification of financial assets from fair value through other comprehensive income	—	—	—	—
Reclassification of financial assets from amortized cost	—	—	—	—
Other gains (losses)	283	11	(48)	(160)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(35)	(35)	(74)	(99)
Reclassification of financial assets from fair value through other comprehensive income	—	—	—	—
Reclassification of financial assets from amortized cost	—	—	—	—
Other gains (losses)	(35)	(35)	(74)	(99)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150	348	84	234
Gains (losses) from hedge accounting, net	73	16	71	34
Exchange differences, net	304	716	325	503
Other operating income	333	297	123	137
Other operating expense	(1,944)	(1,803)	(868)	(1,020)
Income from insurance and reinsurance contracts	1,645	1,343	901	723
Expense from insurance and reinsurance contracts	(1,065)	(802)	(615)	(424)
GROSS INCOME	14,148	11,417	7,189	6,022
Administration costs	(5,262)	(4,371)	(2,585)	(2,278)
Personnel expense	(3,081)	(2,582)	(1,530)	(1,344)
Other administrative expense	(2,181)	(1,790)	(1,054)	(935)
Depreciation and amortization	(676)	(652)	(337)	(340)
Provisions or reversal of provisions	(129)	(112)	(115)	(64)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,993)	(1,441)	(1,025)	(704)
Financial assets measured at amortized cost	(1,958)	(1,391)	(991)	(708)
Financial assets at fair value through other comprehensive income	(35)	(50)	(34)	4
NET OPERATING INCOME	6,088	4,841	3,128	2,636
Impairment or reversal of impairment of investments in joint ventures and associates	10	19	10	19
Impairment or reversal of impairment on non-financial assets	(13)	—	14	(9)
Tangible assets	3	22	24	4
Intangible assets	(10)	(5)	(7)	(2)
Other assets	(6)	(17)	(3)	(11)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	8	(15)	4	(16)
Negative goodwill recognized in profit or loss	—	—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	29	(120)	22	(130)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6,122	4,724	3,178	2,500
Tax expense or income related to profit or loss from continuing operations	(1,978)	(1,650)	(1,028)	(747)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	4,144	3,074	2,150	1,753
Profit (loss) after tax from discontinued operations	—	—	—	—
PROFIT (LOSS)	4,144	3,074	2,150	1,753
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	266	117	118	120
ATTRIBUTABLE TO OWNERS OF THE PARENT	3,878	2,957	2,032	1,633

(1) Presented for comparison purpose only.

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APPENDIX V. Condensed consolidated balance sheets at the IFRS 17 transition date and effective date and condensed consolidated income statement for the six months ended June 30, 2022

Condensed consolidated balance sheet at the IFRS 17 transition date

ASSETS (Millions of Euros)			
	December 31, 2021 disclosed	IFRS 17 Impact	Opening balance as of January 1, 2022
Cash, cash balances at central banks and other demand deposits	67,799	—	67,799
Financial assets held for trading	123,493	—	123,493
Non-trading financial assets mandatorily at fair value through profit or loss	6,086	—	6,086
Financial assets designated at fair value through profit or loss	1,092	—	1,092
Financial assets at fair value through other comprehensive income	60,421	5,812	66,233
Financial assets at amortized cost	372,676	(6,054)	366,622
Derivatives - hedge accounting	1,805	—	1,805
Fair value changes of the hedged items in portfolio hedges of interest rate risk	5	—	5
Joint ventures and associates	900	—	900
Insurance and reinsurance assets	269	(45)	224
Tangible assets	7,298	—	7,298
Intangible assets	2,197	—	2,197
Tax assets	15,850	251	16,101
Other assets	1,934	(24)	1,910
Non-current assets and disposal groups classified as held for sale	1,061	—	1,061
TOTAL ASSETS	662,885	(60)	662,825
LIABILITIES AND EQUITY (Millions of Euros)			
	December 31, 2021 disclosed	IFRS 17 Impact	Opening balance as of January 1, 2022
Financial liabilities held for trading	91,135	—	91,135
Financial liabilities designated at fair value through profit or loss	9,683	—	9,683
Financial liabilities at amortized cost	487,893	592	488,485
Derivatives - hedge accounting	2,626	—	2,626
Liabilities under insurance and reinsurance contracts	10,865	(893)	9,972
Provisions	5,889	—	5,889
Tax liabilities	2,413	228	2,641
Other liabilities	3,621	25	3,646
Liabilities included in disposal groups classified as held for sale	—	—	—
TOTAL LIABILITIES	614,125	(48)	614,077
SHAREHOLDERS' FUNDS	60,383	178	60,562
Capital	3,267	—	3,267
Share premium	23,599	—	23,599
Other equity	60	—	60
Retained earnings	31,841	178	32,019
Other reserves	(1,857)	—	(1,857)
Less: Treasury shares	(647)	—	(647)
Profit or loss attributable to owners of the parent	4,653	—	4,653
Less: Interim dividends	(532)	—	(532)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(16,476)	(186)	(16,662)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	4,853	(5)	4,848
TOTAL EQUITY	48,760	(12)	48,748
TOTAL EQUITY AND TOTAL LIABILITIES	662,885	(60)	662,825

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Condensed consolidated income statements for the six months ended June 30, 2022

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	June 30, 2022 disclosed	IFRS 17 Impact	June 30, 2022 restated with IFRS 17 ⁽¹⁾
NET INTEREST INCOME	8,551	(13)	8,538
Dividend income	76	—	76
Share of profit or loss of entities accounted for using the equity method	15	—	15
Fee and commission income	3,964	—	3,964
Fee and commission expense	(1,314)	9	(1,305)
Net trading income and exchange difference, net	1,095	—	1,096
Other operating income and expense	(1,507)	—	(1,507)
Income from insurance and reinsurance contracts	1,537	(194)	1,343
Expense from insurance and reinsurance contracts	(908)	106	(802)
GROSS INCOME	11,509	(93)	11,417
Administration costs	(4,401)	30	(4,371)
Depreciation and amortization	(652)	—	(652)
Provisions or reversal of provisions	(112)	—	(112)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,441)	—	(1,441)
NET OPERATING INCOME	4,903	(63)	4,841
Impairment or reversal of impairment of investments in joint ventures and associates	19	—	19
Impairment or reversal of impairment on non-financial assets	—	—	—
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(15)	—	(15)
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(120)	—	(120)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	4,787	(63)	4,724
Tax expense or income related to profit or loss from continuing operations	(1,668)	18	(1,650)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	3,119	(45)	3,074
Profit (loss) after tax from discontinued operations	—	—	—
PROFIT (LOSS)	3,119	(45)	3,074
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	117	(1)	117
ATTRIBUTABLE TO OWNERS OF THE PARENT	3,001	(44)	2,957

(1) The restated information contained in this Appendix V is presented only and exclusively for comparison purposes with the information published in 2022.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

Condensed consolidated balance sheet at the IFRS 17 effective date

ASSETS (Millions of Euros)			
	December 31, 2022 disclosed	IFRS 17 Impact	December 31, 2022 restated ⁽¹⁾
Cash, cash balances at central banks and other demand deposits	79,756	—	79,756
Financial assets held for trading	110,671	—	110,671
Non-trading financial assets mandatorily at fair value through profit or loss	6,888	—	6,888
Financial assets designated at fair value through profit or loss	913	—	913
Financial assets at fair value through other comprehensive income	58,980	6,395	65,374
Financial assets at amortized cost	422,061	(7,639)	414,421
Derivatives - hedge accounting	1,891	—	1,891
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(148)	—	(148)
Joint ventures and associates	916	—	916
Insurance and reinsurance assets	210	(27)	183
Tangible assets	8,737	—	8,737
Intangible assets	2,156	—	2,156
Tax assets	16,472	253	16,725
Other assets	2,614	(29)	2,586
Non-current assets and disposal groups classified as held for sale	1,022	—	1,022
TOTAL ASSETS	713,140	(1,048)	712,092
LIABILITIES AND EQUITY (Millions of Euros)			
	December 31, 2022 disclosed	IFRS 17 Impact	December 31, 2022 restated ⁽¹⁾
Financial liabilities held for trading	95,611	—	95,611
Financial liabilities designated at fair value through profit or loss	10,580	—	10,580
Financial liabilities at amortized cost	528,629	543	529,172
Derivatives - hedge accounting	3,303	—	3,303
Liabilities under insurance and reinsurance contracts	11,848	(1,717)	10,131
Provisions	4,933	—	4,933
Tax liabilities	2,742	194	2,935
Other liabilities	4,880	29	4,909
Liabilities included in disposal groups classified as held for sale	—	—	—
TOTAL LIABILITIES	662,526	(950)	661,575
SHAREHOLDERS' FUNDS	64,422	113	64,535
Capital	2,955	—	2,955
Share premium	20,856	—	20,856
Other equity	63	—	63
Retained earnings	32,536	175	32,711
Other reserves	2,345	—	2,345
Less: Treasury shares	(29)	—	(29)
Profit or loss attributable to owners of the parent	6,420	(62)	6,358
Less: Interim dividends	(722)	—	(722)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(17,432)	(210)	(17,642)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	3,624	(1)	3,623
TOTAL EQUITY	50,615	(98)	50,517
TOTAL EQUITY AND TOTAL LIABILITIES	713,140	(1,048)	712,092

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Effect on redesignations of assets as of January 1, 2022

Effect on redesignations of assets (Millions of Euros)

	December 31, 2021	Of which portfolio redesignations	Of which gains / losses	Opening balance as of January 1, 2022
Financial assets at amortized cost	372,676	(5,549)	—	366,622
Of which debt securities	34,781	(5,549)	—	29,231
Financial assets at fair value through other comprehensive income	60,421	5,549	152	66,233
Of which debt securities	59,074	5,549	152	64,774
Deferred tax assets/liabilities			(46)	
Accumulated other comprehensive income (loss)			106	

Interim Consolidated Management Report

January - June 2023



6M23 - BBVA reports solid results

Net Attributable Profit
€**3,878** Mn

Excellent **core revenues evolution**
and **activity growth**

At the top of the **profitability** and
efficiency rankings¹

NII + Fees

+32.9%

vs. 6M22 (constant €)

Lending activity

+8.4%

vs. Jun 2022¹

Efficiency Ratio

42.0%

ROTE

16.9%

ROE

16.2%

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

¹ European Peer Group: BARC, BNPP, CASA, CABK, DB, HSBC, ING, ISP, LBG, NDA, SAN, SG, UBS, UCG. Peers data are based on reported figures as of 3M23. BBVA data as of 6M23.

Cost of risk stability,
in line with expectations

Strong **capital position**

Cost of Risk
(cumulative)

1.04%

6M23

CET1 fully-loaded

12.99%



Jun-23

Target range
11.5 - 12.0%

8.76%¹

SREP requirement

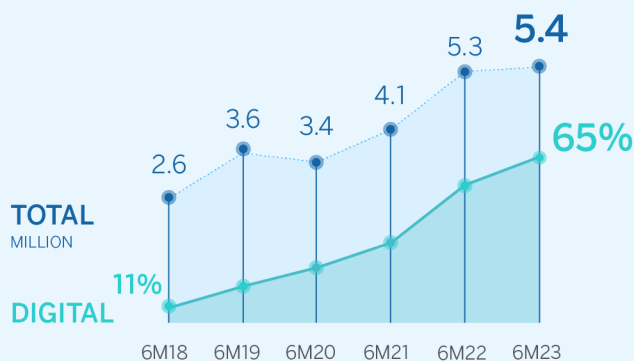
¹ Includes the update of the countercyclical capital buffer calculated on the basis of exposure at end June 2023.



TRANSFORMATION

New customers¹

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



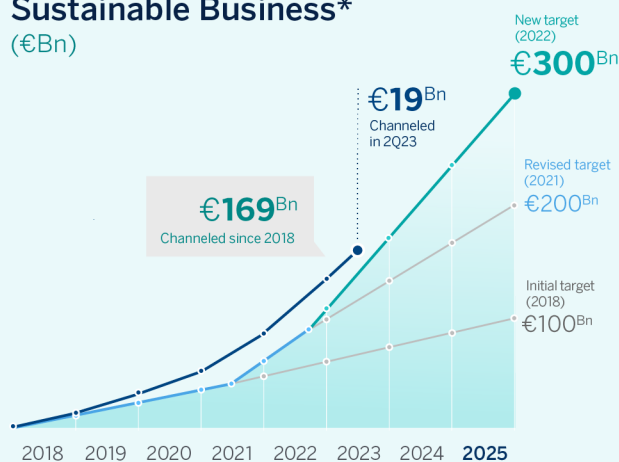
¹ Gross customer acquisition through own channels for retail segment. Excludes the US business sold to PNC.



SUSTAINABILITY

Sustainable Business*

(€Bn)



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



#1 FOR THIRD YEAR IN A ROW
EUROPEAN BANKS RANKING

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

Main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)

	30-06-23	Δ %	30-06-22	31-12-22
Balance sheet (millions of euros)				
Total assets	762,456	6.7	714,726	712,092
Loans and advances to customers (gross)	380,949	5.4	361,311	368,588
Deposits from customers	402,344	6.6	377,540	394,404
Total customer funds	558,083	6.5	524,238	544,576
Total equity	52,568	7.8	48,757	50,517
Income statement (millions of euros)				
Net interest income	11,410	33.6	8,538	19,124
Gross income	14,148	23.9	11,417	24,743
Operating income	8,209	28.4	6,393	14,042
Net attributable profit (loss)	3,878	31.1	2,957	6,358
Net attributable profit (loss) excluding non-recurring impacts ⁽¹⁾	3,878	22.8	3,159	6,559
The BBVA share and share performance ratios				
Number of shares issued (million)	5,965	(6.6)	6,387	6,030
Share price (euros)	7.03	62.4	4.33	5.63
Adjusted earning (loss) per share (euros) ⁽¹⁾	0.63	25.7	0.50	1.04
Earning (loss) per share (euros) ⁽¹⁾	0.62	41.1	0.44	0.98
Book value per share (euros) ⁽¹⁾	8.23	9.1	7.54	7.78
Tangible book value per share (euros) ⁽¹⁾	7.84	9.1	7.19	7.43
Market capitalization (millions of euros)	41,949	51.7	27,657	33,974
Dividend yield (dividend/price; %) ⁽¹⁾⁽²⁾	6.1		7.2	6.2
Significant ratios (%)				
Adjusted ROE (net attributable profit (loss)/average shareholders' funds +/- average accumulated other comprehensive income) ⁽¹⁾	16.2		14.3	14.4
Adjusted ROTE (net attributable profit (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) ⁽¹⁾	16.9		15.0	15.1
Adjusted ROA (profit (loss) for the period / average total assets - ATA) ⁽¹⁾	1.13		0.98	0.99
Adjusted RORWA (profit (loss) for the period / average risk-weighted assets - RWA) ⁽¹⁾	2.40		2.07	2.12
Efficiency ratio ⁽¹⁾	42.0		44.0	43.2
Cost of risk ⁽¹⁾	1.04		0.81	0.91
NPL ratio ⁽¹⁾	3.4		3.7	3.4
NPL coverage ratio ⁽¹⁾	80		78	81
Capital adequacy ratios (%)				
CET1 fully-loaded	12.99		12.45	12.61
CET1 phased-in ⁽³⁾	12.99		12.56	12.68
Total ratio phased-in ⁽³⁾	16.79		16.21	15.98
Other information				
Number of active customers (million)	69.6	9.1	63.8	67.3
Number of shareholders	778,810	(5.2)	821,537	801,216
Number of employees	119,070	5.9	112,465	115,675
Number of branches	6,008	(0.9)	6,062	6,040
Number of ATMs	29,891	1.3	29,504	29,807

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

(2) Calculated by dividing the dividends paid in the last twelve months by the closing price of the period.

(3) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis amendments of the Capital Requirements Regulation (CRR), introduced by the Regulation (EU) 2020/873. As of June 30, 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.

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Highlights

Results and business activity

The BBVA Group generated a net attributable profit of €3,878m in the first half of 2023, which represents an increase of 31.1% compared to the same period of the previous year, driven by the performance of recurring income from the banking business, mainly the net interest income.

These results include the recording for the estimated total annual amount of the temporary tax on credit institutions and financial credit institutions for €225m, included in the other operating income and expenses line of the income statement.

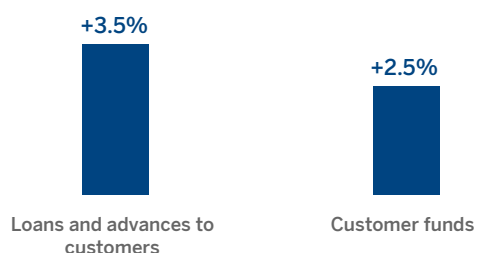
Operating expenses increased by 18.2% at Group level, largely impacted by the inflation rates observed in the countries in which the Group operates. Notwithstanding the above, thanks to the remarkable growth in gross income, higher than the growth in expenses, the efficiency ratio stood at 42.0% as of June 30, 2023, with an improvement of 468 basis points, in constant terms, compared to the ratio recorded 12 months earlier.

The provisions for impairment on financial assets increased (+38.2% in year-on-year terms and at constant exchange rates), with lower requirements in Turkey, which were offset by higher provisioning needs, mainly in Mexico and South America, in a context of growth in activity.

Loans and advances to customers recorded an increase of 3.5% compared to the end of December 2022, strongly favored by the evolution of retail loans (+5.6% at Group level).

Customer funds increased 2.5% compared to the end of December 2022 thanks both to the growth in deposits from customers which increased by 2.0%, and to the increase in off-balance sheet funds (+3.7%).

LOANS AND ADVANCES TO CUSTOMERS AND TOTAL CUSTOMER FUNDS (VARIATION COMPARED TO 31-12-2022)



Business areas

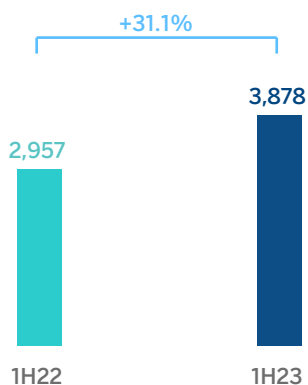
As for the business areas evolution, excluding the effect of currency fluctuation in those areas where it has an impact, in each of them it is worth mentioning:

- Spain generated a net attributable profit of €1,231m in the first half of 2023, 53.6% higher than in the same period of the previous year, thanks to the dynamism of the net interest income, which boosted gross income growth.
- In Mexico, BBVA achieved a net attributable profit of €2,614m by the end of the first half of 2023, representing an increase of 30.1% compared to the same period in 2022, mainly as a result of the notable growth in net interest income, thanks to the strong boost of the activity and the improvement in the customer spread.
- Turkey generated a net attributable profit of €525m during the first half of 2023, which compares very positively with the result reached in the first half of 2022, both periods reflecting the impact of the application of hyperinflation accounting. The accumulated result at the end of June 2023 reflects the positive impact of the revaluation for tax purposes of the real estate and other depreciable assets of Garanti BBVA AS which has generated a credit in corporate income tax expense, due to the higher tax base of the assets, amounting to approximately €205m.
- South America generated a cumulative net attributable profit of €367m at the end of the first half of the year 2023, which represents a year-on-year increase of +22.6%, thanks to the good performance of recurring income (+65.7%) and the area's NTI, which offset the increase in expenses, in a highly inflationary environment throughout the region, and the higher provisioning requirements for impairment on financial assets.
- Rest of Business achieved a net attributable profit of €212m accumulated at the end of the first half of 2023, 68.3% higher than in the same period of the previous year, thanks to a favorable performance of recurring income, especially the net interest income, and NTI, which offset the increase in expenses in a context of higher inflation and normalization of loan-loss provisions.

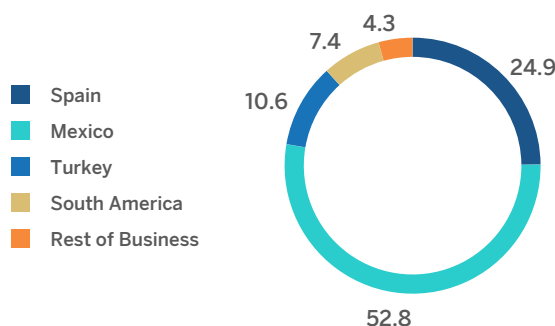
The Corporate Center recorded in the first half of the year 2023 a net attributable profit of €-1,072m, compared with €-230m recorded in the same period of the previous year, mainly due to a negative contribution in the NTI line from exchange rate hedges as a result of better than expected currency performance, in particular the Mexican peso.

Lastly, and for a broader understanding of the Group's activity and results, supplementary information is provided below for the wholesale business carried out by BBVA, Corporate & Investment Banking (CIB), in the countries where it operates. CIB generated a net attributable profit of €1,233m in the first half of 2023. These results, which do not include the application of hyperinflation accounting, represent an increase of 47.9% on a year-on-year basis and reflects the contribution of the diversification of products and geographical areas, as well as the progress of the Group's wholesale businesses in its strategy, leveraged on globality and sustainability, with the purpose of being relevant to its clients.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT BREAKDOWN (1) (PERCENTAGE. 1H23)



(1) Excludes the Corporate Center.

Solvency

The Group's CET1 fully-loaded ratio stood at 12.99% as of June 30, 2023, which allows to maintain a large management buffer over the Group's CET1 requirement (8.76% at the date of release of this report)¹, and also above the Group's established target management range of 11.5-12.0% of CET1.

New Share Buyback Program

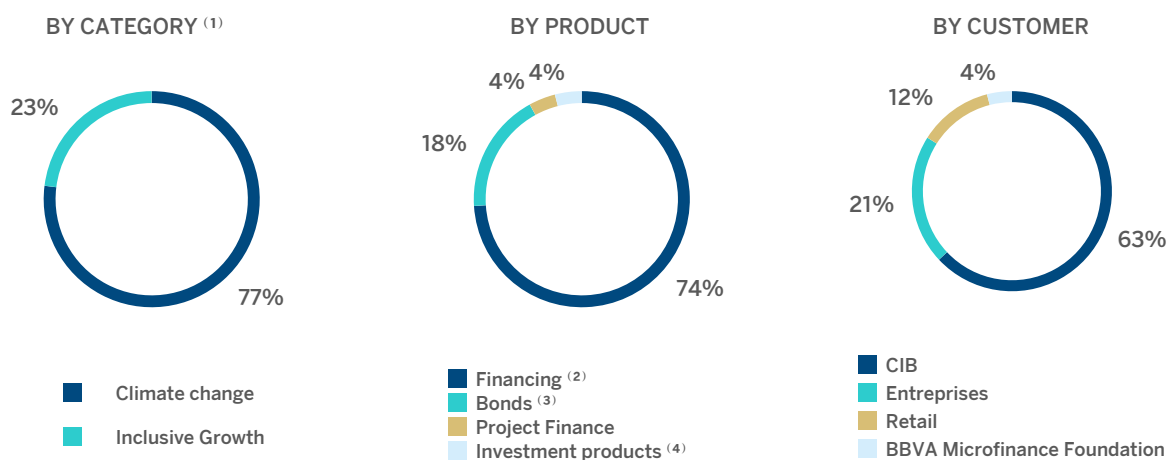
BBVA requested on July 27, 2023 to the European Central Bank the correspondent supervisory authorization in order to carry out a buyback program of BBVA shares up to €1,000 million. Its execution, if the authorization requested is finally granted, would be subject to the adoption of the correspondent corporate resolutions and to the communication of the specific terms and conditions of the share buyback program before its execution. This share buyback program would be considered to be an extraordinary shareholder distribution and is therefore not included in the scope of the ordinary distribution policy.

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

Sustainability

Channeling sustainable business²

SUSTAINABLE BUSINESS BREAKDOWN (PERCENTAGE. TOTAL AMOUNT CHanneled 2018-JUNE 2023)



(1) In those cases where it is not feasible or there is not enough information available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the information available.

(2) Non-Project Finance and transactional banking activity.

(3) Bonds in which BBVA acts as bookrunner.

(4) Investment products art. 8 or 9 under Sustainable Finance Disclosure Regulation (SFDR) or similar criteria outside the European Union, managed, intermediated or marketed by BBVA. Includes, in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly; and in CIB and Enterprise: structured deposits, mainly.

BBVA Group has mobilized a total of approximately €169 billion in sustainable business between 2018 and June 2023, of which approximately 77% correspond to the area of promoting the fight against climate change, and the remaining 23% to promote inclusive growth. The channeled amount includes financing, intermediation, investment, off-balance sheet or insurance operations. These operations have contractual maturity or amortization dates, so the mentioned accumulated amount does not represent the amount recognized in the balance sheet.

During the first half of 2023, around €33 billion was mobilized, of which around €19 billion correspond to the second quarter of 2023. This channeled during the second quarter of 2023 represents an increase of about 30% compared to the same quarter of 2022 and a new quarterly record in sustainable business mobilization for the Group.

In this second quarter, the retail business has mobilized around €1.3 billion. The good behavior related to financial and social inclusion stands out, among which are worth mentioning the financing and the access to the financial system for vulnerable segments of the population, which grows by 85% in relation to the same period of the previous year. During this quarter, in the area of financial and social inclusion, €156m have been mobilized, the contribution of Mexico being relevant, which has channeled more than a third of this amount.

Between April and June 2023, the commercial business (enterprises) mobilized around €6.5 billion. The financing destined to promote or improve the energy efficiency of buildings stands out with €1,246m channeled in the quarter, which represents an increase of 114% compared to the same period of the previous year. In this section, the contribution of Spain is fundamental, advancing by 125%.

The corporate business has channeled during this quarter around €10.8 billion. The dynamism of the brokered bond market in which BBVA acts as bookrunner stands out, contributing €3,560m this quarter (25% more than in the same period of the previous year). Of this amount, €2,634m correspond to green bonds, which have experienced an increase of 91% compared to the same quarter of the previous year, offsetting the lower growth of other types. However, there have been signs of a slowdown in the field of sustainable corporate financing since the beginning of 2023, both in the long and short term.

Lastly, this quarter the BBVA Microfinance Foundation (FMBBVA), which is not part of the consolidated Group, has channeled around €400m to support vulnerable entrepreneurs with microcredits, experiencing an increase of 5% compared to the same quarter of the previous year.

² Channeling sustainable business is considered to be any mobilization of financial flows, cumulatively, towards activities or clients considered sustainable in accordance with existing regulations, both internal and market standards and best practices. The foregoing is understood without prejudice to the fact that such mobilization, both initially and at a later time, may not be recorded on the balance sheet. To determine the amounts of channeled sustainable business, internal criteria based on both internal and external information are used.

Other actions carried out and awards received in sustainability matters

- **Issuance of the first blue bond in Colombia**

BBVA, together with the International Finance Corporation (IFC), announced this quarter the issuance of the first blue bond in Colombia. This blue bond consists of a first tranche of USD50m, which will be destined to support initiatives related to the protection of the country's water resources and, thus, preserve and protect aquatic biodiversity, conserving the sustainable use, management and protection of marine resources.

- **Advances in energy efficient products**

During this quarter, BBVA has continued to promote energy efficiency solutions in order to accompany its customers in the transition to a more sustainable future, with the aim of reducing energy costs and carbon dioxide (CO₂) emissions into the atmosphere.

Thus, in Spain, BBVA and the General Council of Property Administrators have agreed on collaborating to improve the energy efficiency of Spain's housing stock. Thanks to this initiative, communities of owners of residential buildings built before 2007, and managed by property administrators registered in the General Council of Property Administrators, will be able to learn about financing solutions through BBVA, including loans with a maturity of up to 10 years.

Likewise, in Colombia, BBVA, in alliance with a brand of household appliances, has announced a new line of financing that promotes savings in energy consumption in Colombian households.

- **Investment in Just Climate**

During this quarter, BBVA invested USD20m in Just Climate's decarbonization fund (Just Climate CAF I), established by Generation Investment Management. Just Climate CAF I is a fund that invests in developing new large-scale technologies to reduce or eliminate emissions from industries that are difficult to decarbonize, such as cement and steel.

- **BBVA renews as a member of the NZBA steering committee.**

BBVA has renewed its membership as the only Spanish bank on the steering committee of the Zero Net Emissions Banking Alliance (NZBA). This alliance, of which BBVA is a founding member since 2021, is the forum promoted by the United Nations that defines the reference framework for the decarbonization of the banking sector: a robust, science-based framework that supports the credibility of the voluntary commitments.

- **Global Finance Awards**

This quarter BBVA has won several awards in different categories related to sustainability in the Global Finance magazine's Sustainable Finance Awards 2023, including "Outstanding Financial Leadership in Sustaining Communities in 2023", which highlights the Group's commitment to contribute to a more inclusive future.

It has also been recognized by Global Finance as:

- Outstanding bank in green bonds in Western Europe.
- Outstanding Financial Leadership in Sustaining Communities in Latin America.
- Leadership in ESG-related Loans in Latin America.

Macroeconomic environment

Recent global growth has generally been higher than expected by analysts, despite the moderating trend in recent quarters.

Economic activity has benefited from the faster than expected decline in energy prices, following the sharp increase observed after the outbreak of the war in Ukraine, as well as from the process of normalization of global supply chains and the dynamism of labor markets, which have contributed to the relative strength of private consumption and the service sector.

Lower energy prices and improvements in the production process bottlenecks have contributed to a reduction in headline inflation, which, in annual terms, reached 3.0% in the United States and 5.5% in the Eurozone in June. However, despite the recent slowdown in headline inflation, measures of core inflation continue to show no significant improvement.

Against this backdrop of still elevated inflationary pressures, central banks have continued to tighten monetary conditions. Although uncertainty is high, policy rates are likely to stay at restrictive levels, around 5.50% in the United States and 4.50% in the Eurozone, for a relatively long period of time. In addition, the reduction of central banks balance sheets in both regions, as well as the recent turmoil in the banking sector, are expected to contribute to the process of tightening of monetary conditions.

BBVA Research expects global growth to be 2.9% in 2023 (10 basis points higher than the previous forecast), after reaching 3.2% in 2022 and 6.1% in 2021. Recent activity data and the dissipation of supply shocks favor an upward revision of GDP forecasts for 2023 to 1.1% in the United States and 0.8% in the Eurozone (respectively 30 and 20 basis points higher than previously forecasted), while in China growth this year is most likely to be 5.7%, 50 basis points above the previous forecast mainly due to the positive impact of the easing of anti-COVID-19 policies at the beginning of 2023 and despite recent signs of moderation. Also, despite the upward revisions, the outlook for a slowdown in global growth remains, in a context where financial volatility is expected to remain relatively high and interest rates and inflation are expected to remain at higher than expected levels for a longer period.

Uncertainty remains high and a number of factors could determine the materialization of more negative scenarios than the one forecasted by BBVA Research. In particular, persistently high inflation and interest rates could generate a deep and widespread recession, as well as new episodes of financial volatility.

Group

Quarterly evolution of results

The result achieved by the BBVA Group in the second quarter of 2023 stood at €2,032m, 10.0% above the previous quarter with the following trends standing out:

- The good performance of recurring income continues, that is, the sum of net interest income and net fees and commissions, which grew to 2.2% in the quarter.
- The balance of the other operating income and expenses line, which includes the contribution to the Single Resolution Fund made in the second quarter of 2023 in Spain, compares favorably with the amount of this same line in the previous quarter, which included the recording of the temporary tax on credit institutions and financial credit institutions.
- There was a significant improvement in the efficiency ratio, despite the increase in operating expenses, thanks to the outstanding growth of the gross income, which, excluding foreign exchange variations, reached double digits (+15.6%).

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2023		2022			
	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	5,768	5,642	5,334	5,252	4,595	3,943
Net fees and commissions	1,470	1,439	1,328	1,385	1,413	1,247
Net trading income	334	438	269	573	516	580
Other operating income and expenses	(383)	(561)	(443)	(372)	(501)	(374)
Gross income	7,189	6,958	6,489	6,838	6,022	5,395
Operating expenses	(2,922)	(3,016)	(2,875)	(2,803)	(2,618)	(2,406)
<i>Personnel expenses</i>	<i>(1,530)</i>	<i>(1,551)</i>	<i>(1,547)</i>	<i>(1,471)</i>	<i>(1,344)</i>	<i>(1,238)</i>
<i>Other administrative expenses</i>	<i>(1,054)</i>	<i>(1,127)</i>	<i>(990)</i>	<i>(993)</i>	<i>(935)</i>	<i>(855)</i>
<i>Depreciation</i>	<i>(337)</i>	<i>(339)</i>	<i>(338)</i>	<i>(338)</i>	<i>(340)</i>	<i>(313)</i>
Operating income	4,267	3,942	3,614	4,035	3,404	2,989
Impairment on financial assets not measured at fair value through profit or loss	(1,025)	(968)	(998)	(940)	(704)	(737)
Provisions or reversal of provisions	(115)	(14)	(50)	(129)	(64)	(48)
Other gains (losses)	50	(16)	(6)	19	(3)	20
Profit (loss) before tax	3,178	2,944	2,559	2,985	2,634	2,225
Income tax	(1,028)	(950)	(850)	(1,005)	(680)	(903)
Profit (loss) for the period	2,150	1,994	1,709	1,980	1,954	1,321
Non-controlling interests	(118)	(148)	(146)	(143)	(120)	3
Net attributable profit (loss) excluding non-recurring impacts	2,032	1,846	1,563	1,838	1,834	1,325
Discontinued operations and Other ⁽¹⁾	—	—	—	—	(201)	—
Net attributable profit (loss)	2,032	1,846	1,563	1,838	1,633	1,325
Adjusted earning (loss) per share (euros) ⁽²⁾	0.33	0.30	0.25	0.29	0.29	0.21
Earning (loss) per share (euros) ⁽²⁾	0.33	0.29	0.24	0.28	0.24	0.19

General note: 2022 figures have been restated according to IFRS17 - Insurance contracts.

(1) Includes the net impact arisen from the purchase of offices in Spain in the second quarter of 2022 for €-201m.

(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

Year-on-year performance of results

The BBVA Group generated a net attributable profit of €3,878m in the first half of 2023, which represents an increase of 31.1% compared to the same period of the previous year, driven by the performance of recurring income from the banking business, mainly the net interest income.

These results include the recording for the estimated total annual amount of the temporary tax on credit institutions and financial credit institutions³ for €225m, included in the other operating income and expenses line of the income statement.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	1H23	Δ %	Δ % at constant exchange rates	1H22
Net interest income	11,410	33.6	39.2	8,538
Net fees and commissions	2,909	9.4	12.9	2,659
Net trading income	773	(29.5)	(18.8)	1,096
Other operating income and expenses	(944)	7.8	(25.2)	(876)
Gross income	14,148	23.9	35.2	11,417
Operating expenses	(5,938)	18.2	21.6	(5,024)
<i>Personnel expenses</i>	(3,081)	19.3	24.0	(2,582)
<i>Other administrative expenses</i>	(2,181)	21.9	25.4	(1,790)
<i>Depreciation</i>	(676)	3.6	3.0	(652)
Operating income	8,209	28.4	47.1	6,393
Impairment on financial assets not measured at fair value through profit or loss	(1,993)	38.3	38.2	(1,441)
Provisions or reversal of provisions	(129)	15.2	45.4	(112)
Other gains (losses)	34	93.7	234.3	18
Profit (loss) before tax	6,122	26.0	50.8	4,858
Income tax	(1,978)	25.0	43.6	(1,583)
Profit (loss) for the period	4,144	26.5	54.5	3,275
Non-controlling interests	(266)	128.2	n.s.	(117)
Net attributable profit (loss) excluding non-recurring impacts	3,878	22.8	35.0	3,159
Discontinued operations and Other ⁽¹⁾	—	—	—	(201)
Net attributable profit (loss)	3,878	31.1	45.2	2,957
Adjusted earning (loss) per share (euros) ⁽²⁾	0.63			0.50
Earning (loss) per share (euros) ⁽²⁾	0.62			0.44

General note: 2022 figures have been restated according to IFRS17 - Insurance contracts.

(1) Includes the net impact arisen from the purchase of offices in Spain in the second quarter of 2022 for €-201m.

(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

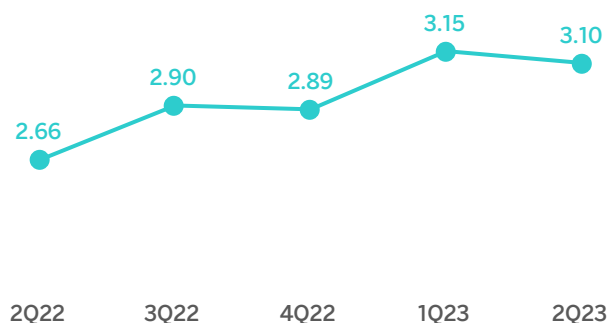
Unless expressly indicated otherwise, to better understand the changes under the main headings of the Group's income statement, the year-on-year rates of change provided below refer to constant exchange rates. When comparing two dates or periods in this report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. For this purpose, the average exchange rate of the currency of each geographical area of the most recent period is used for both periods, except for those countries whose economies have been considered hyperinflationary, for which the closing exchange rate of the most recent period is used.

The accumulated net interest income as of June 30, 2023 was higher than the same period of the previous year (+39.2%), with increases in all business areas due to the improvement in the customer spread and higher performing loan volumes. Noteworthy, was the good evolution in Mexico, South America and Spain.

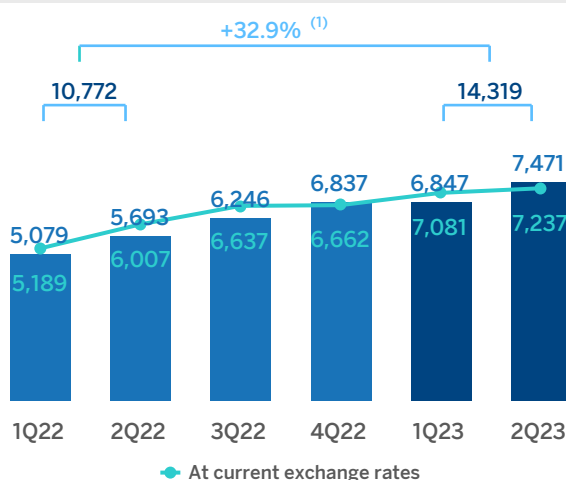
Positive evolution in the net fees and commissions line, which increased by 12.9% year-on-year due to favorable performance in payment systems and demand deposits. By business areas, Mexico stands out, and to a lesser extent, South America and Turkey.

³ In compliance with Law 38/2022, of December 27, which establishes the obligation to pay a patrimonial benefit of a public and non-taxable nature during the years 2023 and 2024 for credit institutions that operate in Spanish territory whose sum of total interest income and fee and commission income corresponding to the year 2019 is equal to or greater than €800m.

**NET INTEREST INCOME / AVERAGE TOTAL ASSETS
(PERCENTAGE)**



**NET INTEREST INCOME PLUS NET FEES AND
COMMISSIONS (MILLIONS OF EUROS AT CONSTANT
EXCHANGE RATES)**

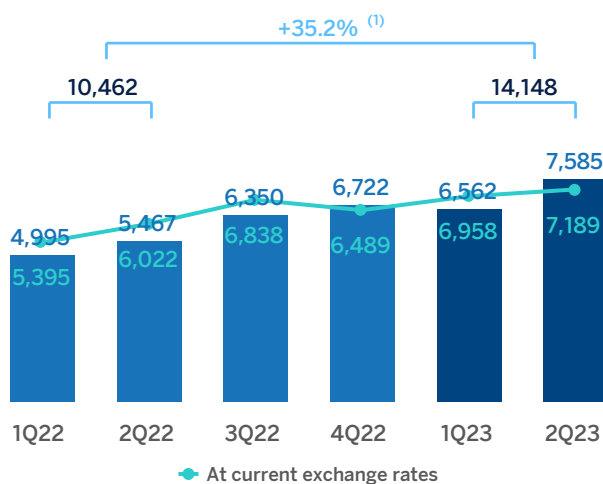


(1) At current exchange rates: +27.9%.

NTI recorded a year-on-year variation of -18.8% at the end of June 2023, due to the negative results recorded in the Corporate Center, partially offset by the favorable evolution of this line in all business areas except Spain, where the amount is positive but lower than in the first half of the previous year.

The other operating income and expenses line accumulated a result of €-944m as of June 30, 2023, compared to €-876m in the same period of the previous year, mainly due to the higher negative adjustment for inflation in Argentina. This line also includes the contribution to the Single Resolution Fund (SRF) in Spain, which in 2023 was lower than the previous year's contribution, and the recognition, in the first quarter of 2023, of €225m, corresponding to the estimated total annual amount of the temporary tax on credit institutions and financial credit establishments, also in Spain.

**GROSS INCOME (MILLIONS OF EUROS AT CONSTANT
EXCHANGE RATES)**

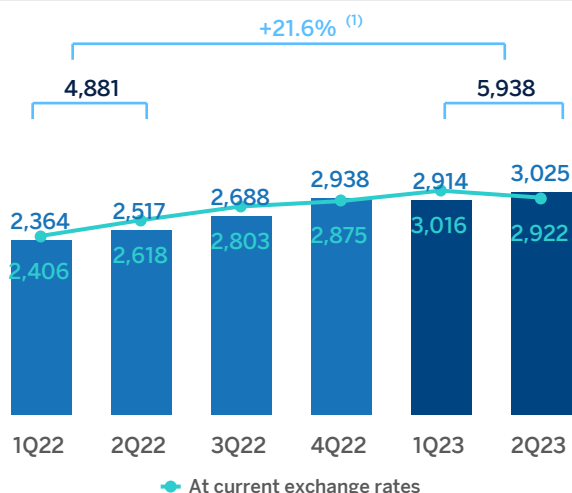


(1) At current exchange rates: +23.9%.

Year-on-year basis, operating expenses increased 21.6% at the Group level. This increase is largely impacted by the inflation rates observed in the countries in which the Group operates. On the one hand, they have been impacted by the measures implemented by the Group in 2023 to compensate the loss of purchasing power of the workforce and, on the other hand, by the impact of general expenses.

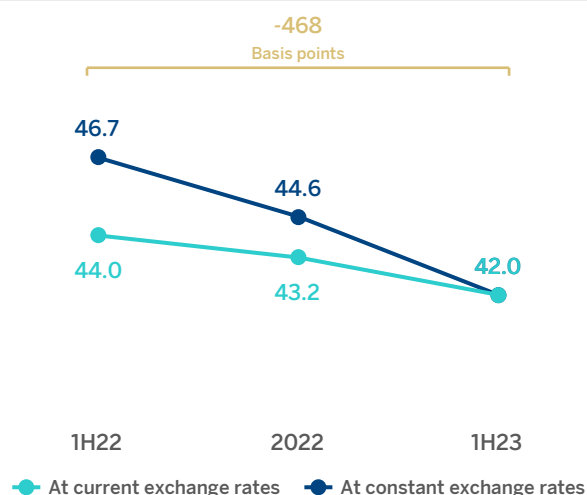
Notwithstanding the above, thanks to the remarkable growth in gross income (+35.2%), the efficiency ratio stood at 42.0% as of June 30, 2023, with an improvement of 468 basis points compared to the ratio recorded 12 months earlier. All business areas had a favorable performance in terms of efficiency.

OPERATING EXPENSES (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



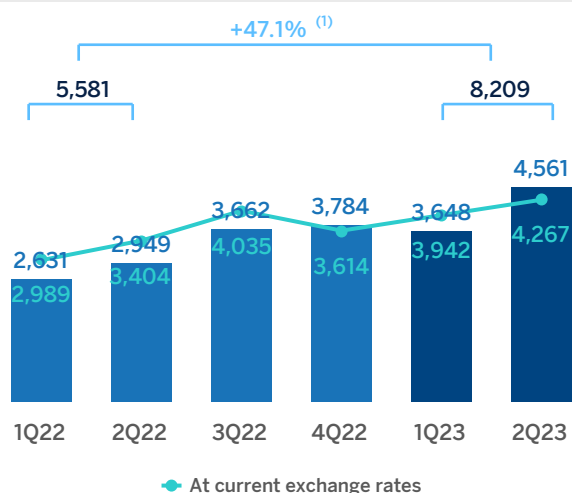
(1) At current exchange rates: +18.2%.

EFFICIENCY RATIO (PERCENTAGE)



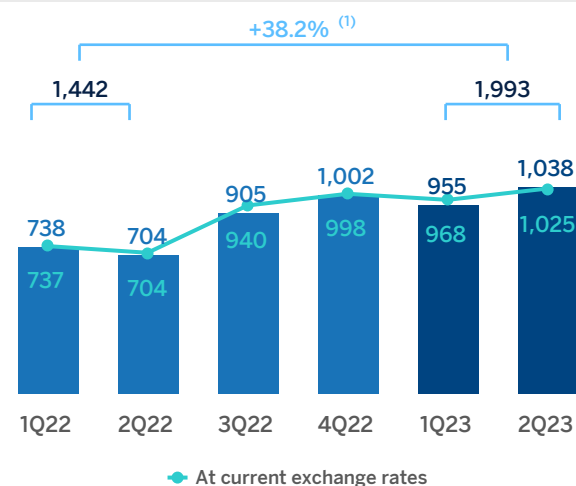
Impairment on financial assets not measured at fair value through profit or loss (impairment on financial assets) at the end of June 2023 was 38.2% higher than in the first half of the previous year, with lower requirements in Turkey, which were offset by higher provisioning needs, mainly in Mexico and South America, in a context of growth in activity.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +28.4%.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +38.3%.

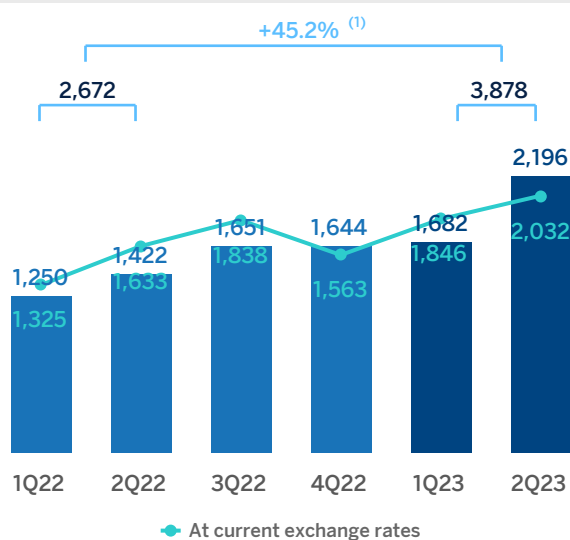
The provisions or reversal of provisions line (hereinafter, provisions) accumulated a negative balance of €129m as of June 30, 2023, with an increase of 45.4% compared to the amount accumulated in the same period of the previous year, mainly due to higher provisions in Spain and Turkey.

For its part, the other gains (losses) line closed June 2023 with a balance of €34m, which compares favorably with the also positive result of the same period of the previous year.

As a result of the above, the BBVA Group generated a net attributable profit of €3,878m in the first half of the year 2023, which compares very positively with the result for the same period of the previous year (+45.2%). These solid results are supported by the favorable evolution of net interest income and, to a lesser extent, net fees and commissions, which offset higher operating expenses and the increase in provisions for impairment losses on financial assets.

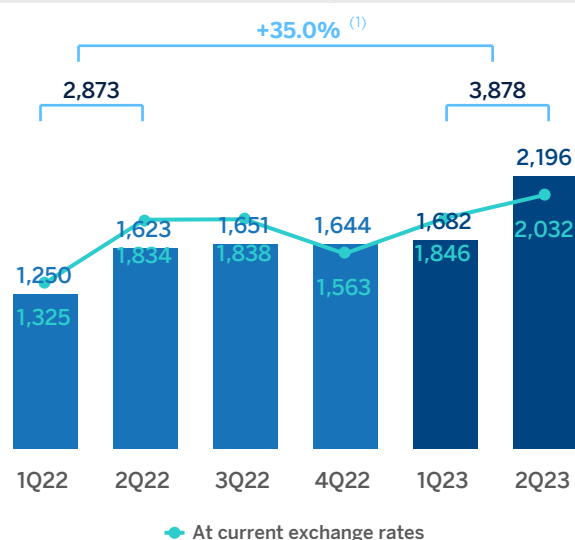
The cumulative net attributable profits, in millions of euros, at the end of June 2023 for the business areas that compose the Group were as follows: €1,231m in Spain, €2,614m in Mexico, €525m in Turkey, €367m in South America and €212m in Rest of Business.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +31.1%

NET ATTRIBUTABLE PROFIT (LOSS) EXCLUDING NON-RECURRING IMPACTS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

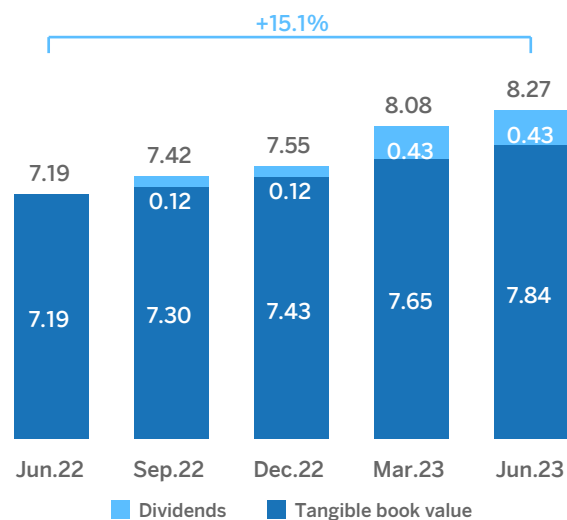


General note: non-recurring impacts include the net impact arisen from the purchase of offices in Spain in 2Q22.

(1) At current exchange rates: +22.8%.

The Group's excellent performance has also allowed it accelerate value creation, as reflected in the growth of the tangible book value per share and dividends, which at the end of June 2023 was 15.1% higher than in the same period of the previous year.

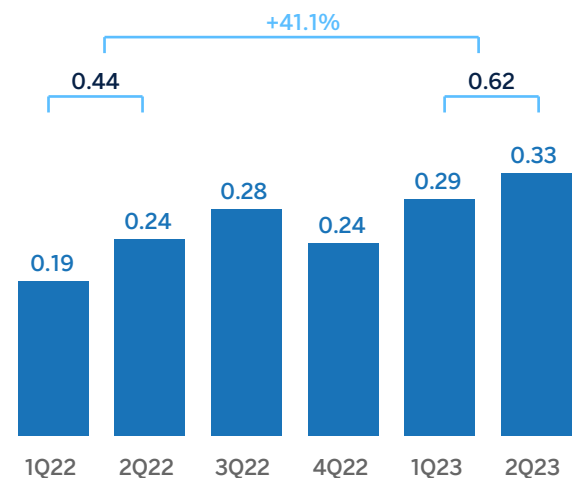
TANGIBLE BOOK VALUE PER SHARE AND DIVIDENDS (EUROS)



General note: replenishing dividends paid in the period.

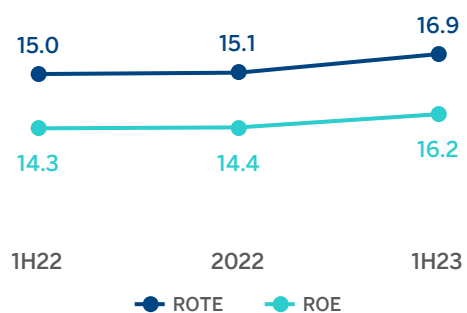
(1) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

EARNING (LOSS) PER SHARE (1) (EUROS)

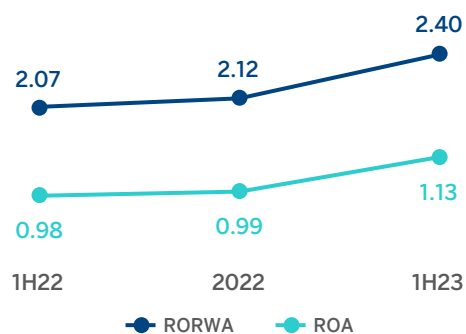


The Group's profitability indicators improved in year-on-year terms, supported by the favorable performance of results.

ROE AND ROTE (1) (PERCENTAGE)



ROA AND RORWA (1) (PERCENTAGE)



(1) The ratio of 1H22 and 2022 excludes the net impact arisen from the purchase of offices in Spain.

Balance sheet and business activity

The most relevant aspects related to the evolution of the Group's balance sheet and business activity as of June 30, 2023 are summarized below:

- Loans and advances to customers recorded an increase of 3.5% compared to the end of December 2022, strongly favored by the evolution of retail loans (+5.6% at Group level), supported by the good performance of both credit cards and consumer loans (+9.8% overall at Group level) in Mexico and South America. For its part, loans to the public sector showed a positive dynamic (+13.6%), originating mainly in Spain.
- Customer funds increased 2.5% compared to the end of December 2022, thanks both to the growth in deposits from customers which increased by 2.0% due to the positive evolution of time deposits in Turkey and, to a lesser extent, in South America, and to the increase in off-balance sheet funds (+3.7%), highlighting the good performance in Mexico and Spain.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

	30-06-23	Δ %	31-12-22	30-06-22
Cash, cash balances at central banks and other demand deposits	71,858	(9.9)	79,756	81,508
Financial assets held for trading	141,721	28.1	110,671	120,823
Non-trading financial assets mandatorily at fair value through profit or loss	8,019	16.4	6,888	6,775
Financial assets designated at fair value through profit or loss	1,004	10.0	913	1,003
Financial assets at fair value through accumulated other comprehensive income	63,979	(2.1)	65,374	69,569
Financial assets at amortized cost	438,841	5.9	414,421	401,103
Loans and advances to central banks and credit institutions	24,311	19.0	20,431	19,762
Loans and advances to customers	369,761	3.5	357,351	349,620
Debt securities	44,769	22.2	36,639	31,720
Investments in joint ventures and associates	929	1.5	916	894
Tangible assets	8,892	1.8	8,737	8,337
Intangible assets	2,284	5.9	2,156	2,139
Other assets	24,928	12.0	22,259	22,576
Total assets	762,456	7.1	712,092	714,726
Financial liabilities held for trading	127,332	33.2	95,611	102,305
Other financial liabilities designated at fair value through profit or loss	12,577	18.9	10,580	9,878
Financial liabilities at amortized cost	541,671	2.4	529,172	527,828
Deposits from central banks and credit institutions	59,961	(8.1)	65,258	79,127
Deposits from customers	402,344	2.0	394,404	377,540
Debt certificates	63,158	13.9	55,429	54,757
Other financial liabilities	16,207	15.1	14,081	16,404
Liabilities under insurance and reinsurance contracts	11,537	13.9	10,131	10,324
Other liabilities	16,771	4.3	16,081	15,635
Total liabilities	709,888	7.3	661,575	665,970
Non-controlling interests	3,517	(2.9)	3,623	3,348
Accumulated other comprehensive income	(16,919)	(4.1)	(17,642)	(16,617)
Shareholders' funds	65,970	2.2	64,535	62,026
Total equity	52,568	4.1	50,517	48,757
Total liabilities and equity	762,456	7.1	712,092	714,726
Memorandum item:				
Guarantees given	55,326	0.3	55,182	52,327

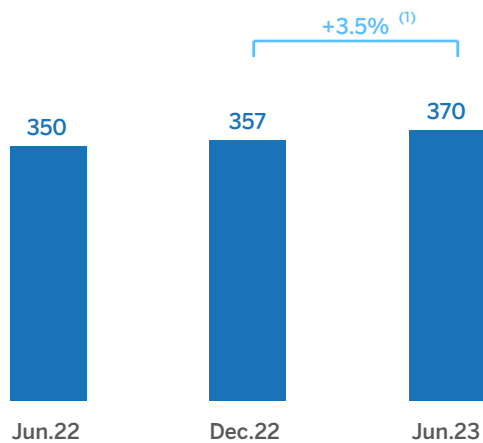
General note: 2022 figures have been restated according to IFRS17 - Insurance contracts.

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	30-06-23	Δ %	31-12-22	30-06-22
Public sector	23,729	13.6	20,884	21,249
Individuals	165,553	5.6	156,838	155,797
Mortgages	92,679	1.2	91,569	93,097
Consumer	38,524	7.1	35,965	34,712
Credit cards	20,044	15.3	17,382	14,886
Other loans	14,306	20.0	11,921	13,102
Business	177,881	0.3	177,374	169,669
Non-performing loans	13,787	2.2	13,493	14,597
Loans and advances to customers (gross)	380,949	3.4	368,588	361,311
Allowances ⁽¹⁾	(11,188)	(0.4)	(11,237)	(11,691)
Loans and advances to customers	369,761	3.5	357,351	349,620

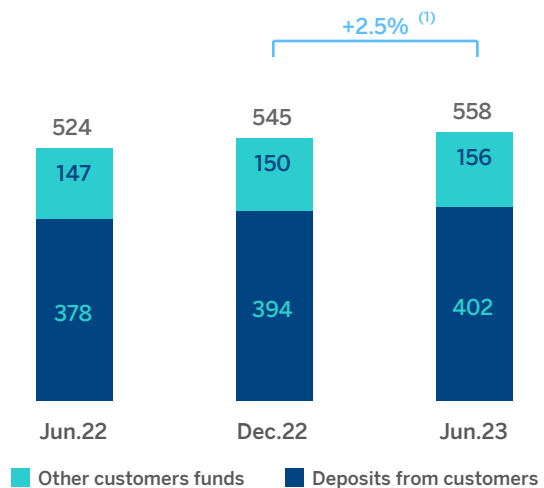
(1) Allowances include valuation adjustments for credit risk throughout the expected residual life in those financial instruments that have been acquired (mainly originating from the acquisition of Catalunya Banc, S.A.). As of June 30, 2023, December 31, 2022 and June 30, 2022, the remaining amount was €162m, €190m and €223m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (BILLIONS OF EUROS)



(1) At constant exchange rates: +3.8%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



(1) At constant exchange rates: +2.9%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	30-06-23	Δ %	31-12-22	30-06-22
Deposits from customers	402,344	2.0	394,404	377,540
Current accounts	308,688	(2.3)	316,082	310,752
Time deposits	89,277	18.0	75,646	65,236
Other deposits	4,378	63.6	2,676	1,552
Other customer funds	155,739	3.7	150,172	146,698
Mutual funds and investment companies and customer portfolios ⁽¹⁾	124,793	14.6	108,936	105,280
Pension funds	27,051	(30.0)	38,653	38,453
Other off-balance sheet funds	3,895	50.9	2,582	2,966
Total customer funds	558,083	2.5	544,576	524,238

(1) Includes the customer portfolios in Spain, Mexico, Colombia and Peru.

Solvency

Capital base

The BBVA Group's strong results during the quarter, which exceeded those of the first quarter, contributed to the consolidated CET1 fully-loaded ratio to reach 12.99% as of June 30, 2023, which allows to maintain a large management buffer over the Group's CET1 requirement (8.76% at the date of release of this report)^{4,5}, and also above the Group's established target management range of 11.5-12.0% of CET1.

During the second quarter of the year, the CET1 ratio was reduced by 14 basis points. The strong profit generation, net of dividends and the remuneration of AT1 instruments, generated a contribution of 27 basis points to the CET1 ratio, which absorbed the growth in risk-weighted assets (RWA) resulting from the growth in activity over the quarter (26 basis points consumption), in line with the Group's strategy of promoting profitable growth. Thus, among other impacts, it should be noted those associated with the trend of the market variables, in particular the valuation of some exchange rate hedge instruments.

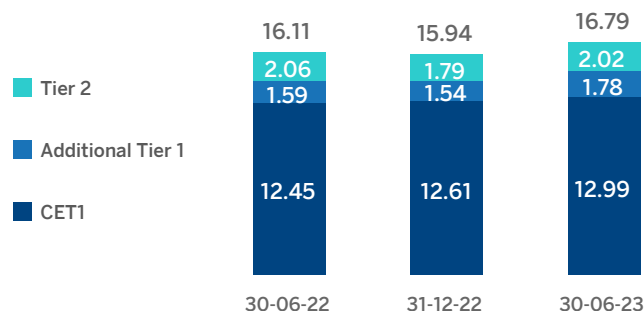
Fully-loaded RWA decreased by approximately €1,100m in the quarter, mainly as a result of the currency effect. Excluding the currency effect, RWA associated with activity grew by around €7 billion.

The consolidated fully-loaded additional Tier 1 capital (AT1) stood at 1.78% as of June 30, 2023, resulting in a 29 basis point increase from the previous quarter, mainly due to the issuance in June of a contingent convertible bond with a face value of €1 billion.

For its part, the consolidated fully-loaded Tier 2 ratio at the end of June 2023 stood at 2.02%, with an increase of 34 basis points in the quarter, mainly due to the issuance of two subordinated bonds in Spain and Mexico, for €750m and USD1 billion, respectively. The total fully-loaded capital ratio stands at 16.79%.

It is worth mentioning that, with effect from January 1, 2023, the application of part of the transitional effects applied by the Group in the determination of the phased-in ratio has ended, so that as of June 30, 2023, this ratio coincides with the fully-loaded ratio.

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	30-06-23 ^{(1) (2)}	31-12-22	30-06-22	30-06-23 ^{(1) (2)}	31-12-22	30-06-22
Common Equity Tier 1 (CET1)	45,153	42,738	41,563	45,153	42,484	41,181
Tier 1	51,324	47,931	46,828	51,324	47,677	46,445
Tier 2	7,021	5,930	6,819	7,021	6,023	6,818
Total capital (Tier 1 + Tier 2)	58,344	53,861	53,647	58,344	53,699	53,263
Risk-weighted assets	347,488	337,066	330,871	347,488	336,884	330,642
CET1 (%)	12.99	12.68	12.56	12.99	12.61	12.45
Tier 1 (%)	14.77	14.22	14.15	14.77	14.15	14.05
Tier 2 (%)	2.02	1.76	2.06	2.02	1.79	2.06
Total capital ratio (%)	16.79	15.98	16.21	16.79	15.94	16.11

(1) The difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873). As of June 30, 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.

(2) Preliminary data.

⁴ Includes the update of the countercyclical capital buffer calculated on the basis of exposure at end June 2023.

⁵ The Bank of Spain communicated to BBVA a resolution draft on the identification of BBVA as Other Systemically Important Institution (hereinafter referred to as O-SII) and the corresponding capital buffer established. According to this resolution draft, subject to the final resolution content, the O-SII capital buffer would increase by 25 basis points compared to the current applicable buffer, which stands at 100 basis points (1%) by January 1, 2024. This increase is consistent with the methodology review to evaluate the minimum buffer established by the European Central Bank (ECB) within the Banking Union scope.

Regarding shareholder remuneration, as approved by the General Shareholders' Meeting on March 17, 2023, in its first item on the agenda, on April 5, 2023, a cash payment of €0.31 gross per each outstanding BBVA share entitled to receive such amount was made against the 2022 results, as an additional shareholder remuneration for the financial year 2022. Thus, the total amount of cash distributions for 2022, taking into account the €0.12 gross per share that was distributed in October 2022, amounted to €0.43 gross per share.

Total shareholder remuneration includes, in addition to the cash payments mentioned above, the remuneration resulting from the execution of the share buyback programs that the Group could execute. Regarding BBVA's buyback program announced past February 1, 2023 for an amount of €422m, on April 21, 2023, BBVA announced the completion of this share buyback program, having acquired 64,643,559 own shares between March 20 and April 20, 2023, representing approximately 1.07% of BBVA's share capital as of said date.

BBVA requested on July 27, 2023 to the European Central Bank the correspondent supervisory authorization in order to carry out a buyback program of BBVA shares up to €1,000 million. Its execution, if the authorization requested is finally granted, would be subject to the adoption of the correspondent corporate resolutions and to the communication of the specific terms and conditions of the share buyback program before its execution. This share buyback program would be considered to be an extraordinary shareholder distribution and is therefore not included in the scope of the ordinary distribution policy.

As of June 30, 2023, BBVA's share capital stood at €2,923,081,772.45 divided into 5,965,473,005 shares, at €0.49 par value each, once the Group has carried out the partial execution, announced on June 2, 2023, of the share capital reduction resolution adopted by the Ordinary General Shareholders' Meeting of BBVA held on March 17, 2023, under item 3 of the agenda, with the redemption, charged to unrestricted reserves, of 64,643,559 own shares of €0.49 par value each acquired derivatively by BBVA in execution of the share buyback program scheme and which were held in treasury shares.

SHAREHOLDER STRUCTURE (30-06-23)

Number of shares	Shareholders		Shares issued	
	Number	%	Number	%
Up to 500	323,964	41.6	60,703,923	1.0
501 to 5,000	355,729	45.7	632,576,417	10.6
5,001 to 10,000	53,127	6.8	373,028,716	6.3
10,001 to 50,000	41,431	5.3	791,436,405	13.3
50,001 to 100,000	2,954	0.4	201,610,444	3.4
100,001 to 500,000	1,328	0.2	239,961,745	4.0
More than 500,001	277	0.04	3,666,155,355	61.5
Total	778,810	100	5,965,473,005	100

With regard to MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA must maintain, from January 1, 2022, an amount of own funds and eligible liabilities equal to 21.46% of the total RWA of its resolution group, on sub-consolidated⁶ level (hereinafter, the "MREL in RWA"). This MREL in RWA does not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, would be estimated at 3.32%, considering the exposures subject to the calculation of the countercyclical buffer as of June 2023. Given the own funds and eligible liabilities structure of the resolution group, as of June 30, 2023, the MREL in RWA ratio stands at 28.05%^{7, 8}, complying with the aforementioned requirement.

In addition, BBVA must reach, by January 1, 2022, an amount of own funds and eligible liabilities in terms of the total exposure considered for calculating the leverage ratio of 7.27% (the "MREL in LR") of which 5.61% in terms of the total exposure considered for calculating the leverage ratio shall be met with subordinated instruments (the "subordination requirement in LR").

With the aim of reinforcing compliance with these requirements, BBVA has made several debt issues during the first half of 2023. For more information on this and other issues, see "Structural risks" section within the "Risk management"- chapter.

It should be noted that on June 14, 2023 the Group disclosed the receipt of a new communication from the Bank of Spain regarding its MREL requirement, established by the Single Resolution Board (hereinafter "SRB"). In accordance with this communication, BBVA has to reach, starting January 1, 2024, an MREL in RWA equal to 22.11% This MREL in RWA does not include the applicable combined capital buffer requirement which, according to current regulations and supervisory criteria, would be estimated at 3.32%, considering the exposures subject to the calculation of the countercyclical buffer as of June 2023. Given the own funds and eligible liabilities structure of the resolution group, as of June 30, 2023 the MREL in RWA would already comply with the aforementioned requirement.

Lastly, as of June 30, 2023, the Group's fully-loaded leverage ratio stood at 6.5%⁹.

⁶ In accordance with the resolution strategy MPE ("Multiple Point of Entry") of the BBVA Group, established by the SRB, the resolution group is made up of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries that belong to the same European resolution group. As of June 30, 2023, the total RWA of the resolution group amounted to €207,087m and the total exposure considered for the purpose of calculating the leverage ratio amounted to €516,459m.

⁷ Own resources and eligible liabilities to meet, both, MREL and the combined capital buffer requirement applicable.

⁸ As of June 30, 2023, the MREL ratio in terms of Leverage Ratio Exposure stands at 11.25% and the subordination ratios in terms of RWA and in terms of Leverage Ratio Exposure, stand at 22.90% and 9.18%, respectively, being preliminary data.

⁹ The Group's leverage ratio is provisional at the date of release of this report.

Ratings

During the first half of the year 2023, BBVA's rating has continued to show its strength and all agencies have maintained their rating in the A category. In March, DBRS communicated the result of its annual review of BBVA, affirming the rating at A (high) with a stable outlook. S&P, Moody's and Fitch maintained BBVA's ratings unchanged in the first half of the year at A, A3 and A-, respectively, all three with a stable outlook. The following table shows the credit ratings and outlook assigned by the agencies:

RATINGS			
Rating agency	Long term ⁽¹⁾	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's	A3	P-2	Stable
Standard & Poor's	A	A-1	Stable

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A- rating, respectively, to BBVA's long term deposits.

Risk management

Credit risk

The global economy is currently facing a number of extraordinary challenges. The war in Ukraine and the related sanctions imposed against and by Russia have led to significant disruption, instability and volatility in global markets, as well as rising inflation and lower economic growth. The increase in interest rates during the last year could negatively affect the Group by reducing the demand for credit, limiting its capacity to generate credit for its customers and causing a strain on the payment capacity of individuals.

The Group has been offering COVID-19 support measures to its clients in all the geographical areas in which it is present, which have consisted of both current loan moratoriums and new financing with a public guarantee. The measures in force in 2022 and maintained in 2023 related to new financing with a public guarantee are limited to Spain and Peru. For the latter, the possibility of taking advantage of the Reactiva program which initially ended on June 30, 2023, has been extended until September 30, 2023. In addition, in Spain, in March 2022, the Council of Ministers (RDL 6/2022) approved a line of financing with public guarantees of 70% and 80% of the principal amount for self-employed and enterprises in order to alleviate the liquidity tensions due to increases in energy prices and raw materials, available until December 2023.

Finally, on November 23, 2022, the Royal Decree-Law 19/2022, of November 22, was published. It amends the Code of Good Practices, establishes a new Code of Good Practices, regulated by Royal Decree Law 6/2012, easing the impact of interest rates hikes on mortgage loans agreements related to primary residences and provides for other structural measures aiming to ease access to lending. In November 30, 2022, the BBVA Board of Directors agreed the adherence to the new Code of Good Practices with effect from January 1, 2023. The number and amount of the transactions granted to clients in accordance with the new Code of Good Practices have been low.

Regarding the direct exposure of the Group to Russia and Ukraine, this is limited for BBVA, although the Group has taken different measures aimed at reducing its impact, among which are the initial lowering of limits followed by the suspension of operations with Russia, the lowering of internal ratings and the inclusion of the country and its borrowers as impaired for subjective reasons. However, the indirect risk is greater due to the activity of customers in the affected area or sectors. The economic effects are mainly shown through higher commodity prices, mainly energy, despite the moderation observed in recent months.

Calculation of expected losses due to credit risk

For the estimation of expected losses, the models include individual and collective estimates, taking into account the macroeconomic forecasts in accordance with IFRS 9. Thus, the estimate at the end of the quarter includes the effect on expected losses of updating macroeconomic forecasts, which take into account the current global environment, which has been affected by the war in Ukraine, the evolution of interest rates, inflation rates and commodity prices.

Additionally, the Group can supplement the expected losses either by the consideration of additional risk drivers, the incorporation of sectorial particularities or that may affect a set of operations or borrowers, following a formal internal process established for the purpose.

Thus, in Spain, during 2021 and 2022, the Loss Given Default (LGD) of certain specific operations considered unlikely to pay was reviewed upwards, with a remaining adjustment as of June 30, 2023 of €388 million, without significant variation since the end of the year 2022. In addition, due to the earthquakes that affected an area in the south of Turkey, during the month of February 2023 the classification of the credit exposure recorded in the five most affected cities was reviewed, which led to its reclassification to Stage 2. As of June 30, 2023 the amounts recorded in Stage 2 were €472 million on-balance sheet and €478 million off-balance sheet, with allowances for losses of approximately €56 million at contract level.

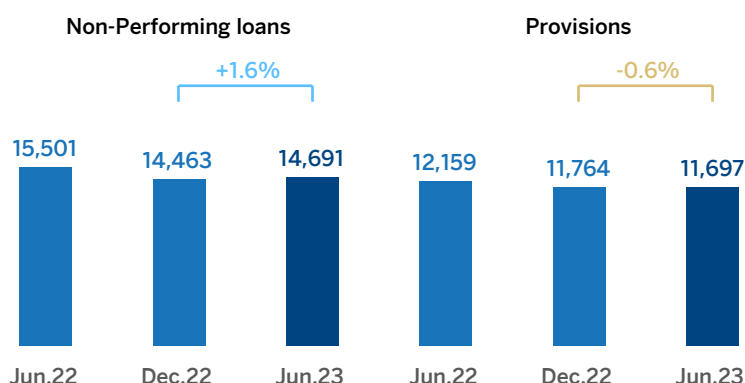
On the other hand, the complementary adjustments pending allocation to specific operations or customers that are in force as of June 30, 2023 total €158m, of which €54m correspond to Spain, €85 million to Mexico, €2 million to Peru, €8 million to Colombia, €2 million to Chile and €6m to Rest of Business of the Group. Compared to December 31, 2022, the complementary adjustments pending allocation to specific operations or customers totaled €302 million, of which €163m corresponded to Spain, €92 million to Mexico, €25 million to Peru, €11 million to Colombia, €5 million to Chile, and €6m to Rest of Business of the Group. The change in the first half is due to the utilization made during this period in Spain, Mexico, Peru, Colombia and Chile, with no additional provisions in the first months of the year.

BBVA Group's credit risk indicators

The evolution of the Group's main credit risk indicators is summarized below:

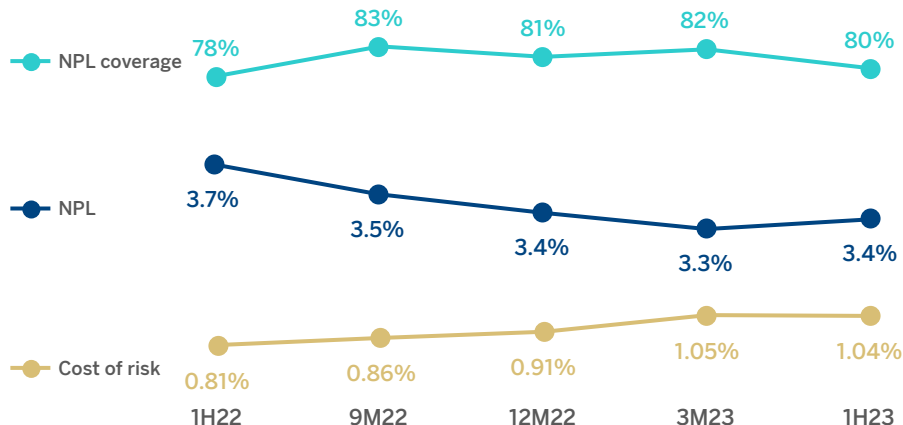
- Credit risk increased in the second quarter of the year by 1.8% (+2.8% at constant exchange rates), with generalized growth at constant exchange rates in all geographic areas except Peru, where it remained practically stable.
- Increase in the balance of non-performing loans at the Group level between April and June 2023 (+3.9% in current terms and +4.8% at constant rates), due to higher NPL inflows in retail portfolios, offset by the positive dynamics in wholesale portfolios (repayments and recoveries). Compared to the end of the previous year, the balance of non-performing loans increased by 1.6% (+2.1% at constant exchange rates).

NON-PERFORMING LOANS AND PROVISIONS (MILLIONS OF EUROS)



- The NPL ratio continued to show stability and stood at 3.4% as of June 30, 2023, 7 basis points above the figure recorded in the previous quarter (5 basis points below that of the end of 2022) due to the aforementioned increase in the non-performing loans balance.
- Loan-loss provisions remained almost stable compared to the figure at the end of the previous quarter (+0.3 and -0.6% with respect to December 2022).
- The NPL coverage ratio ended the quarter at 80%, 284 basis points lower than the figure at the end of the previous quarter (172 basis points lower than the end of 2022 and at a higher rate compared to the first half of 2022), mainly due to the increase in the balance of non-performing loans and, to a lesser extent, to improvements in the credit quality of some wholesale customers.
- The cumulative cost of risk as of June 30, 2023 stood at 1.04% practically stable compared to the previous quarter.

NPL AND NPL COVERAGE RATIOS AND COST OF RISK (PERCENTAGE)



CREDIT RISK ⁽¹⁾ (MILLIONS OF EUROS)

	30-06-23	31-03-23	31-12-22	30-09-22	30-06-22
Credit risk	436,174	428,423	423,669	428,064	413,638
Non-performing loans	14,691	14,141	14,463	15,162	15,501
Provisions	11,697	11,661	11,764	12,570	12,159
NPL ratio (%)	3.4	3.3	3.4	3.5	3.7
NPL coverage ratio (%) ⁽²⁾	80	82	81	83	78

(1) Includes gross loans and advances to customers plus guarantees given.

(2) The NPL coverage ratio includes the valuation adjustments for credit risk throughout the expected residual life in those financial instruments that have been acquired (mainly originating from the acquisition of Catalunya Banc, S.A.). If these valuation corrections had not been taken into account, the NPL coverage ratio would have stood at 79% as of June 30, 2023, 80% as of December 31, 2022 and 77% as of June 30, 2022.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	2Q23 (1)	1Q23	4Q22	3Q22	2Q22
Beginning balance	14,141	14,463	15,162	15,501	15,612
Entries	2,877	2,256	2,332	1,871	2,085
Recoveries	(1,394)	(1,489)	(1,180)	(1,595)	(1,697)
Net variation	1,483	767	1,152	276	388
Write-offs	(877)	(1,081)	(928)	(683)	(579)
Exchange rate differences and other	(56)	(8)	(923)	67	80
Period-end balance	14,691	14,141	14,463	15,162	15,501
Memorandum item:					
Non-performing loans	13,787	13,215	13,493	14,256	14,597
Non performing guarantees given	905	926	970	906	904

(1) Preliminary data.

Structural risks

Liquidity and funding

Liquidity and funding management at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs using a wide range of instruments that provide access to a large number of alternative sources of financing. BBVA's business model, risk appetite framework and funding strategy are designed to reach a solid funding structure based on stable customer deposits, mainly retail (granular). As a result of this model, deposits have a high degree of assurance in each geographical area, close to 60% in Spain and Mexico. In this regard, it is important to note that, given the nature of BBVA's business, lending is mainly financed through stable customer funds.

One of the key elements in the BBVA Group's liquidity and funding management is the maintenance of large high-quality liquidity buffers in all geographical areas. In this respect, the Group has maintained during the last 12 months an average volume of high quality liquid assets (HQLA) of €138.1 billion, of which 96% corresponds to maximum quality assets (level 1 in the liquidity coverage ratio, LCR).

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution strategy: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity and funding (taking deposits or accessing the market with their own rating). This strategy limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

The BBVA Group maintains a solid liquidity position in every geographical area in which it operates, with ratios well above the minimum required:

- LCR requires banks to maintain a volume of high-quality liquid assets sufficient to withstand liquidity stress for 30 days. BBVA Group's consolidated LCR remained comfortably above 100% during 2022 and stood at 148% as of June 30, 2023. It should be noted that, given the MPE nature of BBVA, this ratio limits the numerator of the LCR for subsidiaries other than BBVA S.A. to 100% of its net outflows. Therefore, the resulting ratio is below that of the individual units (the LCR of the main components reaches 174% in BBVA, S.A., 180% in Mexico and 228% in Turkey). If this restriction was eliminated, the Group's LCR ratio would reach 189%.
- The net stable funding ratio (NSFR) requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The BBVA Group's NSFR ratio, stood at 132% as of June 30, 2023.

The breakdown of these ratios in the main geographical areas in which the Group operates is shown below:

LCR AND NSFR RATIOS (PERCENTAGE. 30-06-23)

	BBVA, S.A.	Mexico	Turkey	South America
LCR	174%	180%	228%	All countries >100
NSFR	123%	136%	175%	All countries >100

In addition to the above, the most relevant aspects related to the main geographical areas are the following:

- BBVA, S.A. has maintained a strong position with a large high-quality liquidity buffer, having repaid almost the entire TLTRO III program. During the first half of 2023, commercial activity has not had a significant impact on the Bank's liquidity with a slight decline in lending, in line with customer deposits. The latter fell in the first quarter, influenced by the seasonal component and by the transfer to off-balance sheet funds, and it has recovered in the second quarter. In addition, in December 2022 the Bank started the repayment of the TLTRO III program for an amount of €12 billion, plus an additional repayment of €12 billion between February and March 2023 and another one of €11 billion in June 2023, which together represent more than the 90% of the original amount, maintaining at all times regulatory liquidity metrics well above the established minimums.

- BBVA Mexico continues to present a comfortable liquidity situation, which has contributed to an efficient management of the cost of funds in an environment of rising interest rates. During the first half of the year, however, commercial activity has drained liquidity to a large extent due to seasonal outflows of funds in the first months of the year, but also due to sustained loan growth.
- In Turkey, in the first half of 2023, the lending gap in local currency has been reduced, due to a greater growth in deposits than in loans. The lending gap in foreign currency has increased due to reductions in deposits as a result of the mechanism established to encourage Turkish lira deposits, and an increase in foreign currency loans. Garanti BBVA continues to maintain a stable liquidity position with comfortable ratios. For its part, the Central Bank of Turkey has begun to gradually ease the measures in order to reduce the dollarization of the economy.
- In South America, the liquidity situation remains adequate throughout the region. In Argentina, liquidity continues to increase in the system, and in BBVA due to a higher growth in deposits than in loans in local currency. In BBVA Colombia, the credit gap widened slightly due to higher growth in lending in contrast to deposits in the second quarter of the year. BBVA Peru maintains solid liquidity levels, showing a reduction in the credit gap in the first half of the year thanks to the positive performance of deposits in contrast to a reduction in lending, affected by the expiration of loans covered by COVID-19 programs.

The main wholesale financing transactions carried out by the BBVA Group during the first half of 2023 are listed below:

Type of issue	Date of issue	Nominal (millions)	Currency	Coupon	Early redemption	Maturity date
Senior non-preferred	Jan-23	1,000	EUR	4.625 %	Jan-30	Jan-31
Covered bonds	Jan-23	1,500	EUR	3.125 %	—	Jul-27
Senior preferred	May-23	1,000	EUR	4.125 %	May-25	May-26
Tier 2	Jun-23	750	EUR	Midswap + 280 basis points	Jun-Sep 28	Sep-33
AT1	Jun-23	1,000	EUR	8.375 %	Dec-28	Perpetual

Additionally, in June 2023 BBVA, S.A. completed a securitization of a portfolio of car loans for an amount of €800m.

BBVA Mexico, for its part, carried out two senior issues in the first quarter of the year and a subordinated issue in the second quarter. The first of the senior issues consists of a green bond for 8,689 million Mexican pesos (approximately €468m) with a maturity of 4 years, using the TIIE (Balanced Interbank Interest Rate used in Mexico) rate as a benchmark, at one day +32 basis points; and the second one involved the issue of a senior bond for 6,131 million Mexican pesos (approximately €330m) at a fixed rate of 9.54% and a term of 7 years. Regarding the subordinated issue carried out in June, it was a USD 1 billion Tier 2 issue for a term of 15 years with an early redemption option after 10 years and at a fixed rate of 8.45%. The main objective of this issue is to achieve a comfortable loss-absorbing capital buffer to comply with TLAC (Total Loss-Absorbing Capacity) requirements, with full implementation in Mexico in 2025.

BBVA Colombia together with the International Finance Corporation (IFC) announced the launch of the first blue bond in the country of USD50m. For further information, please refer to the Sustainability section at the beginning of this report.

In Turkey, Garanti BBVA renewed in June a syndicated loan associated with environmental, social and corporate governance (ESG) criteria, consisting of two separate tranches of USD199m and €218.5m, both maturing in one year.

Foreign exchange

Foreign exchange risk management aims to reduce both the sensitivity of the capital ratios and the net attributable profit variability to currency fluctuations.

The performance of the Group's main currencies during the first half of 2023 has been very disparate. On the positive side, due to its relevance for the Group, the strength of the Mexican peso, which has appreciated 12.4% against the euro, stands out. Other Latin American currencies have also performed well in the first six months of the year: the Colombian peso (+12.7%), the Chilean peso (+5.1%) and the Peruvian sol (+3.0%). On the negative side, the Turkish lira (-29.5%) and the Argentine peso (-32.3%) depreciation stands out; both currencies are from countries with very high inflation rates. Finally, the U.S. dollar fell 1.8% against the euro, although it moved in a relatively narrow range.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	30-06-23	Δ % on 30-06-22	Δ % on 31-12-22	1H23	Δ % on 1H22
U.S. dollar	1.0866	(4.4)	(1.8)	1.0809	1.2
Mexican peso	18.5614	12.9	12.4	19.6495	12.8
Turkish lira ⁽¹⁾	28.3193	(38.8)	(29.5)	—	—
Peruvian sol	3.9402	(0.4)	3.0	4.0564	1.7
Argentine peso ⁽¹⁾	278.43	(53.4)	(32.3)	—	—
Chilean peso	872.19	9.6	5.1	871.72	3.5
Colombian peso	4,554.24	(5.9)	12.7	4,963.93	(13.8)

(1) According to IAS 21 "The effects of changes in foreign exchange rates", the year-end exchange rate is used for the conversion of the Turkey and Argentina income statement.

In relation to the hedging of the capital ratios, BBVA covers, in aggregate, 70% of its subsidiaries' capital excess. The sensitivity of the Group's CET1 fully-loaded ratio to 10% depreciations in major currencies is estimated at: +18 basis points for the U.S. dollar, -9 basis points for the Mexican peso and -3 basis points for the Turkish lira¹⁰. With regard to the hedging of results, BBVA hedges between 40% and 50% of the aggregate net attributable profit it expects to generate in the next 12 months. For each currency, the final amount hedged depends on its expected future evolution, the costs and the relevance of the incomes related to the Group's results as a whole.

Interest rate

Interest rate risk management seeks to limit the impact that BBVA may suffer, both in terms of net interest income (short-term) and economic value (long-term), from adverse movements in the interest rate curves in the various currencies in which the Group operates. BBVA carries out this work through an internal procedure, pursuant to the guidelines established by the European Banking Authority (EBA), with the aim of analyzing the potential impact that could derive from a range of scenarios on the Group's different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Of particular relevance are assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates. These assumptions are reviewed and adapted at least once a year, to take into account any changes in observed behavior.

At the aggregate level, BBVA continues to have a positive sensitivity toward interest rate increases in the net interest income.

The first half of 2023 was characterized by persistent inflation in most of the countries where the Group operates. Although headline inflation continued to show signs of slowing down, core inflation remains at high levels. Following the episode of high volatility observed in March with the crisis involving certain regional banks in the United States and another Swiss bank, interest rates fell somewhat, anticipating a possible relaxation of contractionary monetary policies. However, in the following months, the central banks took up the hawkish message again, leading the markets to delay expectations of rate cuts, despite the pause in the Fed's bullish strategy. The effect of these movements on sovereign debt translated into strong rises in short tranches in both Europe and the United States. For its part, the peripheral curves continued to be well supported. In the case of Mexico, the cycle of increases of rates is considered to have ended and the markets discount that it could be one of the first to initiate cuts, even in 2023. The central bank of Turkey, has made a 180 degrees turn in its monetary policy with a significant rate hike in June, which is expected to continue in the coming months, following a 250 basis point increase in July. In South America, Colombia seems to have reached its terminal rate and Peru remains at the same levels as in the first quarter, after six consecutive meetings without changes.

By area, the main features are:

- Spain has a balance sheet characterized by a high proportion of variable-rate loans (mortgages and corporate lending) and liabilities composed mainly by customer demand deposits. The ALCO portfolio acts as a management lever and hedging for the balance sheet, mitigating its sensitivity to interest rate fluctuations. In an environment of higher rates, currently close to their market-predicted terminal values, the interest rate risk profile of the balance sheet has been reduced during the year.
On the other hand, the ECB raised interest rates by 25 basis points at each of its meetings in May and June, bringing the benchmark interest rate to 4.00%, the marginal deposit facility rate at 3.5% and the marginal loan facility rate at 4.25% at the end of the quarter. In this environment, Euribor reference rates continued to rise in the second quarter of 2023, although at a slower pace than in the first quarter of the year. Thus, the customer spread is benefiting from the interest rate hikes and the containment in the cost of deposits.
- Mexico continues to show a balance between fixed and variable interest rates balances, which results in a limited sensitivity to interest rates fluctuations. In terms of assets that are most sensitive to interest rate movements, the commercial portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. With regard to the customer funds, the high proportion of non-interest bearing deposits should be highlighted, which are insensitive to interest rate movements. The ALCO portfolio is invested primarily in fixed-rate sovereign bonds with limited maturities. The monetary policy rate stands at 11.25%, 75 basis points above the end-of-year level of 2022, but stable in the quarter. Regarding customer spread, there has

¹⁰ This sensitivity does not include the cost of capital hedges, which are currently estimated at 1 basis points per month for Mexican peso and 1 basis points per month for Turkish lira.

been improvement so far in the first half of 2023, favored by both the containment of the cost of deposits and the positive evolution of the loan yield.

- In Turkey, the sensitivity of loans, which are mostly fixed-rate but with relatively short maturities, and the ALCO portfolio balance the sensitivity of deposits on the liability side. Thus, the sensitivity of net interest income remains limited, both in Turkish lira and in foreign currencies. The CBRT increased the monetary policy rates in June from 8.5% to 15.0% and to 17.5% at its July meeting. The customer spread worsened in the first half of 2023 due to the higher cost of the deposits and the caps on lending rates.
- In South America, the interest rate risk profile remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with limited net interest income sensitivity. In addition, the balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a very low level of risk. Regarding benchmark rates, in Peru it remained unchanged at 7.75%, Colombia, after the last increase of 25 basis points in April, stood at 13.25% and Argentina 97.00% after increasing 1,900 basis points between April and May. The customer spread worsened in the first half of the year in Colombia, impacted by a higher cost of deposits, which does not apply in the same way to loan yields, while in Peru it shows a slight improvement in the year thanks to the containment of the cost of deposits.

INTEREST RATES (PERCENTAGE)

	30-06-23	31-03-23	31-12-22	30-09-22	30-06-22	31-03-22
Official ECB rate	4.00	3.50	2.50	1.25	0.00	0.00
Euribor 3 months ⁽¹⁾	3.54	2.91	2.06	1.01	(0.24)	(0.50)
Euribor 1 year ⁽¹⁾	4.01	3.65	3.02	2.23	0.85	(0.24)
USA Federal rates	5.25	5.00	4.50	3.25	1.75	0.50
TIEE (Mexico)	11.25	11.25	10.50	9.25	7.75	6.50
CBRT (Turkey)	15.00	8.50	9.00	12.00	14.00	14.00

(1) Calculated as the month average.

Business areas

This section presents the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statements and balance sheets, the business activity figures and the most significant ratios.

The structure of the business areas reported by the BBVA Group as of June 30, 2023, is the same as the one presented at the end of 2022.

The composition of BBVA Group's business areas is summarized below:

- Spain mainly includes the banking, insurance and asset management activities that the Group carries out in this country.
- Mexico includes banking, insurance and asset management activities in this country, as well as the activity that BBVA Mexico carries out through its agency in Houston.
- Turkey reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- South America includes banking, financial, insurance and asset management activities conducted, mainly, in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
- Rest of Business mainly incorporates the wholesale activity carried out in Europe (excluding Spain), the United States, and BBVA's branches in Asia.

The Corporate Center contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; structural exchange rate positions management; portfolios whose management is not linked to customer relations, such as financial and industrial holdings; stakes in Funds & Investment Vehicles in tech companies; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets as well as such portfolios and assets' funding.

Finally, in the description of this aggregate, it is worth mentioning that the Corporate Center tax expense includes the difference between the effective tax rate in the period of each business area and the expected tax rate of the Group for the year as a whole.

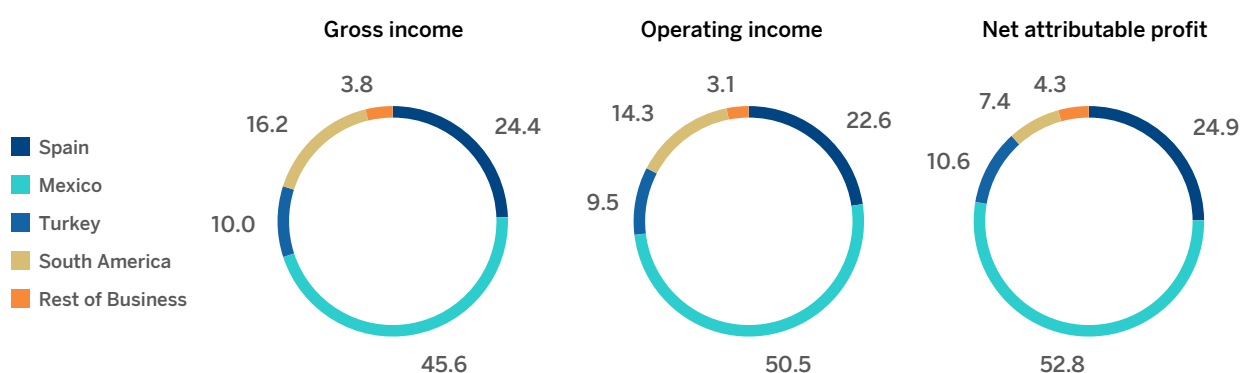
In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, Corporate & Investment Banking (CIB), in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due to the important features of the type of customers served, products offered and risks assumed.

The information by business areas is based on units at the lowest level and/or companies that make up the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity.

Regarding the shareholders' funds allocation, in the business areas, a capital allocation system based on the consumed regulatory capital is used.

Finally, it should be noted that, as usual, in the case of the different business areas, that is, Mexico, Turkey, South America and Rest of Business, and, additionally, CIB, in addition to the year-on-year variations applying current exchange rates, the variations at constant exchange rates are also disclosed.

GROSS INCOME (1), OPERATING INCOME (1) AND NET ATTRIBUTABLE PROFIT (1) BREAKDOWN (PERCENTAGE. 1H23)



(1) Excludes the Corporate Center.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

	BBVA Group	Business areas					Σ Business areas	Corporate Center
		Spain	Mexico	Turkey	South America	Rest of Business		
1H23								
Net interest income	11,410	2,544	5,264	980	2,503	260	11,550	(140)
Gross income	14,148	3,630	6,774	1,480	2,415	565	14,863	(716)
Operating income	8,209	2,113	4,717	888	1,332	288	9,339	(1,129)
Profit (loss) before tax	6,122	1,821	3,585	787	780	272	7,246	(1,123)
Net attributable profit (loss) excluding non-recurring impacts	3,878	1,231	2,614	525	367	212	4,950	(1,072)
Net attributable profit (loss)	3,878	1,231	2,614	525	367	212	4,950	(1,072)
1H22 ⁽²⁾								
Net interest income	8,538	1,758	3,686	1,153	1,849	155	8,601	(64)
Gross income	11,417	3,050	4,813	1,335	1,982	384	11,563	(147)
Operating income	6,393	1,624	3,260	838	1,059	150	6,932	(539)
Profit (loss) before tax	4,858	1,404	2,446	633	745	162	5,391	(532)
Net attributable profit (loss) excluding non-recurring impacts ⁽¹⁾	3,159	1,003	1,781	59	418	128	3,389	(230)
Net attributable profit (loss)	2,957	801	1,781	59	418	128	3,188	(230)

(1) Non-recurring impacts includes the net impact arisen from the purchase of offices in Spain in the second quarter of 2022.

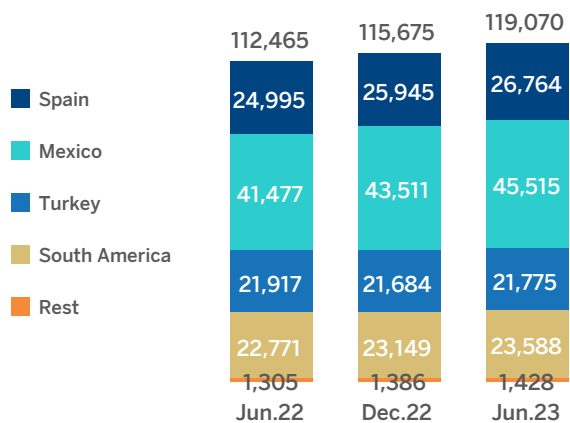
(2) Restated balances according to IFRS17 - Insurance contracts.

MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

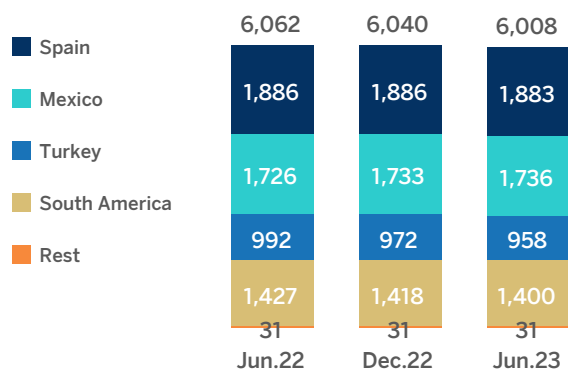
	BBVA Group	Business areas					Σ Business areas	Corporate Center	Deletions
		Spain	Mexico	Turkey	South America	Rest of Business			
30-06-23									
Loans and advances to customers	369,761	173,944	83,693	35,673	41,548	36,175	371,033	250	(1,522)
Deposits from customers	402,344	214,276	84,865	50,793	43,086	10,470	403,490	185	(1,331)
Off-balance sheet funds	155,739	92,848	49,660	6,800	5,925	506	155,739	1	—
Total assets/liabilities and equity	762,456	452,360	164,758	67,324	67,541	54,242	806,225	22,910	(66,679)
RWAs	347,488	116,767	85,111	50,672	50,144	32,728	335,421	12,066	—
31-12-22 ⁽¹⁾									
Loans and advances to customers	357,351	173,971	71,231	37,443	38,437	37,375	358,456	278	(1,383)
Deposits from customers	394,404	221,019	77,750	46,339	40,042	9,827	394,978	187	(760)
Off-balance sheet funds	150,172	86,759	38,196	6,936	17,760	520	150,170	2	—
Total assets/liabilities and equity	712,092	427,116	142,557	66,036	61,951	49,952	747,613	22,719	(58,239)
RWAs	337,066	114,474	71,738	56,275	46,834	35,064	324,385	12,682	—

(1) Restated balances according to IFRS17 - Insurance contracts.

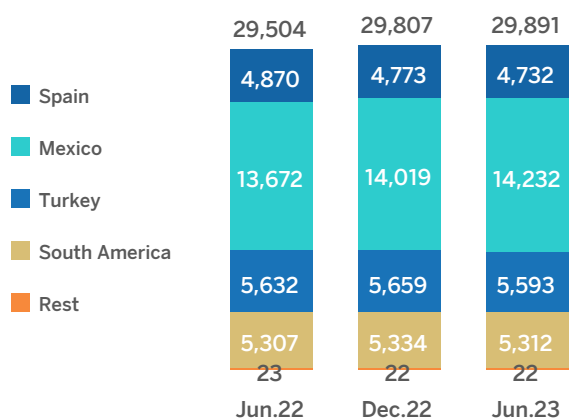
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

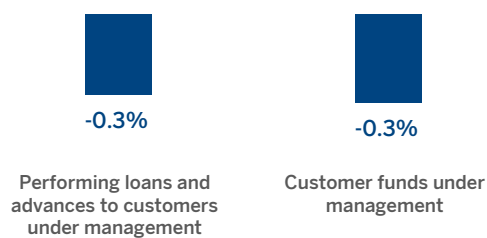


Spain

Highlights

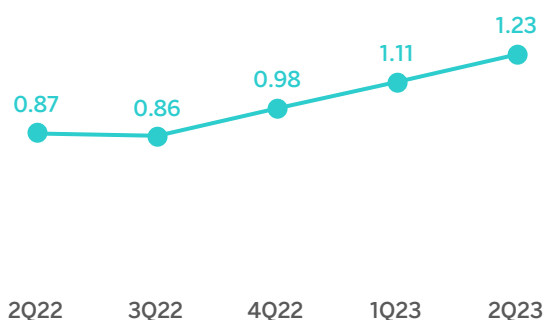
- Significant growth in net interest income
- Improvement of the efficiency ratio
- Cost of risk remains at low levels, in line with the previous quarter

BUSINESS ACTIVITY (1) (VARIATION COMPARED TO 31-12-22)

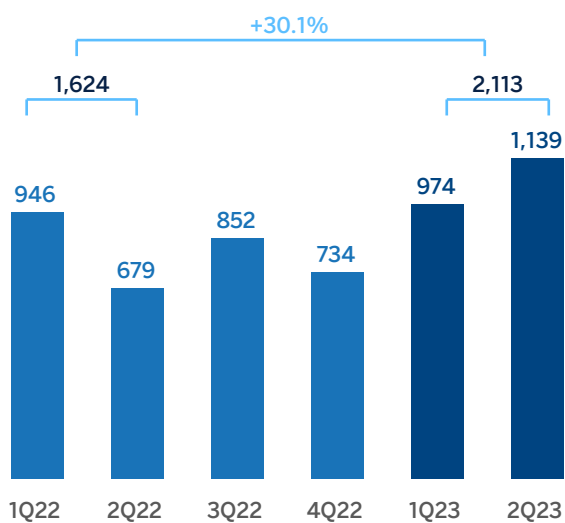


(1) Excluding repos.

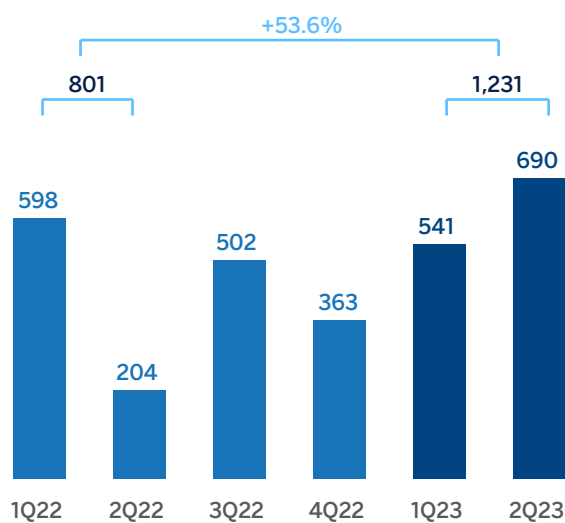
NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23	Δ %	1H22 ⁽¹⁾
Net interest income	2,544	44.7	1,758
Net fees and commissions	1,093	(1.5)	1,110
Net trading income	218	(24.4)	288
Other operating income and expenses	(224)	112.1	(106)
<i>Of which: Insurance activities</i>	<i>192</i>	<i>5.9</i>	<i>181</i>
Gross income	3,630	19.0	3,050
Operating expenses	(1,517)	6.4	(1,425)
<i>Personnel expenses</i>	<i>(857)</i>	<i>11.5</i>	<i>(768)</i>
<i>Other administrative expenses</i>	<i>(470)</i>	<i>4.9</i>	<i>(448)</i>
<i>Depreciation</i>	<i>(190)</i>	<i>(9.0)</i>	<i>(209)</i>
Operating income	2,113	30.1	1,624
Impairment on financial assets not measured at fair value through profit or loss	(240)	24.4	(193)
Provisions or reversal of provisions and other results	(51)	89.9	(27)
Profit (loss) before tax	1,821	29.7	1,404
Income tax	(589)	47.4	(400)
Profit (loss) for the period	1,232	22.7	1,005
Non-controlling interests	(1)	(37.9)	(2)
Net attributable profit (loss) excluding non-recurring impacts	1,231	22.8	1,003
Net impact arisen from the purchase of offices in Spain	—	—	(201)
Net attributable profit (loss)	1,231	53.6	801

Balance sheets	30-06-23	Δ %	31-12-22 ⁽¹⁾
Cash, cash balances at central banks and other demand deposits	39,190	(20.3)	49,185
Financial assets designated at fair value	153,651	21.5	126,413
<i>Of which: Loans and advances</i>	<i>64,946</i>	<i>54.9</i>	<i>41,926</i>
Financial assets at amortized cost	210,405	2.9	204,528
<i>Of which: Loans and advances to customers</i>	<i>173,944</i>	<i>0.0</i>	<i>173,971</i>
Inter-area positions	39,924	2.6	38,924
Tangible assets	2,919	(2.4)	2,990
Other assets	6,270	23.5	5,076
Total assets/liabilities and equity	452,360	5.9	427,116
Financial liabilities held for trading and designated at fair value through profit or loss	117,618	39.0	84,619
Deposits from central banks and credit institutions	41,559	(19.6)	51,702
Deposits from customers	214,276	(3.1)	221,019
Debt certificates	46,697	14.5	40,782
Inter-area positions	—	—	—
Other liabilities	17,813	12.2	15,870
Regulatory capital allocated	14,397	9.7	13,124

Relevant business indicators	30-06-23	Δ %	31-12-22
Performing loans and advances to customers under management ⁽²⁾	170,715	(0.3)	171,209
Non-performing loans	8,058	2.1	7,891
Customer deposits under management ⁽²⁾	213,080	(3.2)	220,140
Off-balance sheet funds ⁽³⁾	92,848	7.0	86,759
Risk-weighted assets	116,767	2.0	114,474
Efficiency ratio (%)	41.8		47.5
NPL ratio (%)	4.0		3.9
NPL coverage ratio (%)	57		61
Cost of risk (%)	0.27		0.28

(1) Restated balances according to IFRS17 - Insurance contracts.

(2) Excluding repos.

(3) Includes mutual funds, customer portfolios and pension funds.

Macro and industry trends

According to BBVA Research's latest estimate, GDP growth would moderate from 5.5% in 2022 to around 2.4% in 2023, a forecast that is 80 basis points higher than the previous one, mainly due to the significant reduction in energy prices and the dynamism of economic activity, particularly in services exports, in recent months. Growth would also continue to moderate going forward, in line with the outlook of tighter monetary conditions and a slowdown in global and European growth. Annual headline inflation, which ended 2022 at 5.7%, has eased to 1.9% in June, boosted by lower energy prices and favorable base effects. It is expected to rise slightly in the second half of the year and average around 3.5% in 2023, above the ECB's 2% target.

As for the banking sector, based on data at the end of April 2023, the volume of credit to the private sector decreased by 1.8% year-on-year. At the end of April, lending to households grew slightly (1.1% year-on-year) and lending to companies registered small drops of 0.6% compared to April 2022. Customer deposits declined slightly (-0.5% year-on-year with data as of the end of April 2023), due to the fall in demand deposits (-2.6%) which could not be offset by the growth in time deposits (28.2% year-on-year). The NPL ratio continued to fall to 3.55% in April 2023, 64 basis points lower than at the end of April 2022. It should also be noted that the system maintains comfortable solvency and liquidity levels.

Activity

The most relevant aspects related to the area's activity during the first half of 2023 were:

- Loan balances were in line with the end of December (-0.3%), as a result of the dynamism of loans to the public sector (+22.9%), consumer loans (+0.8%, including credit cards) and loans to companies (+1.8%), which were offset by mortgage cancellations made by some customers and lower loans to large corporations (-4.8%).
- Total customer funds were also stable (-0.3%), as a result of lower demand deposits (-4.6%), partially offset by off-balance sheet funds (mutual and pension funds) which increased by 7.0%, mainly favored by net contributions in the first half of the year.

The most relevant aspects related to the area's activity during the second quarter of 2023 were:

- Lending activity recorded a slight increase between April and June (+0.9%). The growth in loans to the public sector (+18.7%), consumer loans (+2.3%, including credit cards) and SMEs (+1.0%) managed to offset the deleveraging of loans to large corporations (-3.3%) and of mortgage loans (-1.1%).
- Regarding credit quality, the NPL ratio increased 15 basis points compared to the previous quarter and stood at 4.0%, mainly due to higher NPL entries in retail portfolios, and a lower volume of write-offs compared to the previous quarter. The coverage ratio fell during the quarter to 57%, mainly due to the aforementioned higher volume of NPL entries.
- Total customer funds increased in the quarter 0.7%, with mixed performance of on- and off-balance sheet funds. Customer deposits remained flat in the quarter (-0.1%) while off-balance sheet funds (mutual and pension funds) increased by 2.5%, mainly due to the volume of net contributions in the quarter and, to a lesser extent, to the positive effect of market developments.

Results

Spain generated a net attributable profit of €1,231m in the first half of 2023, 53.6% higher than in the same period of the previous year, thanks to the dynamism of the net interest income, which boosted gross income growth.

The most notable aspects of the year-on-year changes in the area's income statement at the end of June 2023 were:

- Net interest income grew by 44.7% and continues to benefit from the improvement in customer spreads derived from the interest rate hikes.
- Net fees and commissions were slightly lower than the same period of the previous year, as a result of a lower contribution from banking services fees.
- Decrease in the year-on-year NTI contribution (-24.4%), partly due to the lower contribution from Global Markets and lower portfolio sales.
- Other operating income and expenses compared negatively with the same period of the previous year, due to the €225m recorded in this line, corresponding to the estimated total annual amount of the temporary tax on credit institutions and financial credit establishments. For its part, the contribution to SRF was lower than in the first half of the previous year, and the performance of the insurance business evolved favorably.
- Growth in operating expenses (+6.4%), both in personnel expenses due to higher fixed remuneration, with additional measures that improve those of the sectoral wage increase agreement, and in general expenses, as a result of inflation, especially higher IT expenses.
- For its part, the gross income increased by 19.0%, well above the growth in expenses. Thus, the efficiency ratio stood at 41.8% with an improvement of 495 basis points in the last twelve months.
- Impairment on financial assets increased 24.4%, due to the good performance of the underlying supported by the recording of some positive non-recurring items, all in the first half of 2022. As a result of the above, the cumulative cost of risk at the end of June 2023 stood at 0.27%, in line with the cumulative figure at the end of the previous quarter.
- Provisions and other results closed the first half of 2023 at €-51m.

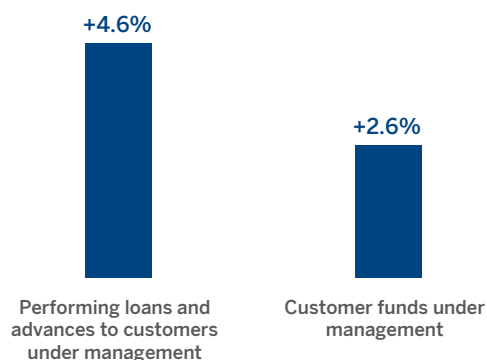
In the second quarter of 2023, Spain generated a net attributable profit of €690m, which represents a growth of +27.6% compared to the previous quarter, favored especially by the evolution of the net interest income (+15.0%). In addition to the above, net fees and commissions registered growth between April and June (+4.0%), offset by a lower ROF. For its part, the other operating income and expenses line closed in the same terms with the previous quarter, with the contribution to the SRF and, in the previous quarter, the registration of the tax on credit institutions and financial credit institutions standing out. On the bottom line of the income statement, expenses increased slightly (+1.5%), well below the gross income (+10.3%), thus significantly improving the quarterly efficiency ratio. Lastly, provisions for special funds and for contingent risks and commitments increased.

Mexico

Highlights

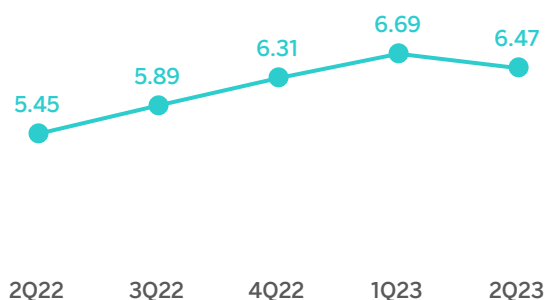
- Increase in lending activity, with greater dynamism of the retail segment
- Relevant increase in net interest income
- The efficiency ratio continues to improve
- Excellent evolution of the net attributable profit

BUSINESS ACTIVITY (1) (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-22)

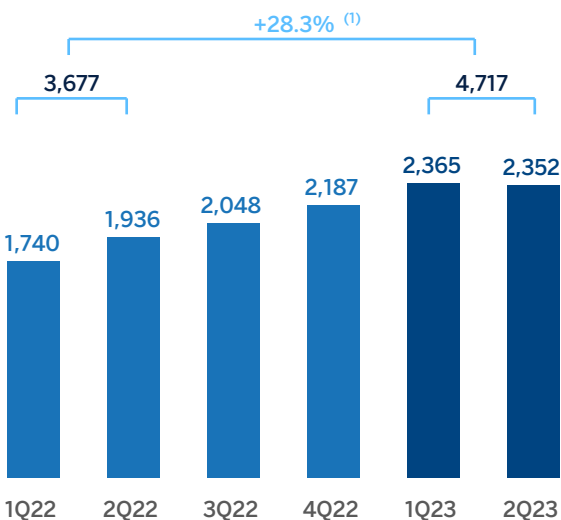


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

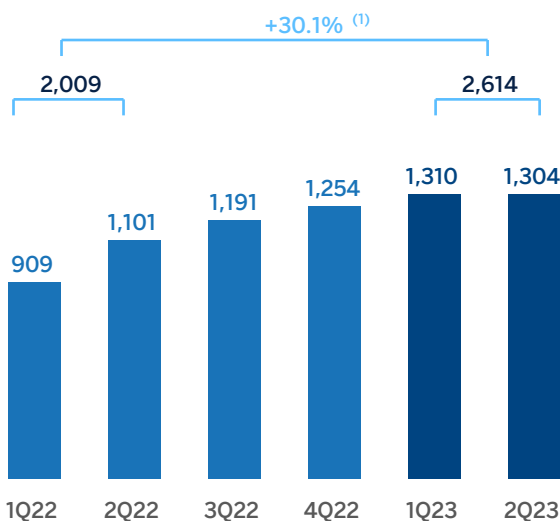


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +44.7%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +46.8%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23	Δ %	Δ % ⁽¹⁾	1H22 ⁽²⁾
Net interest income	5,264	42.8	26.6	3,686
Net fees and commissions	1,017	36.5	21.0	745
Net trading income	315	38.4	22.7	227
Other operating income and expenses	178	15.6	2.5	154
Gross income	6,774	40.7	24.8	4,813
Operating expenses	(2,057)	32.4	17.4	(1,553)
<i>Personnel expenses</i>	(953)	37.2	21.7	(694)
<i>Other administrative expenses</i>	(881)	31.4	16.5	(671)
<i>Depreciation</i>	(223)	18.6	5.1	(188)
Operating income	4,717	44.7	28.3	3,260
Impairment on financial assets not measured at fair value through profit or loss	(1,136)	41.1	25.1	(805)
Provisions or reversal of provisions and other results	5	n.s.	n.s.	(9)
Profit (loss) before tax	3,585	46.6	30.0	2,446
Income tax	(970)	46.2	29.6	(664)
Profit (loss) for the period	2,615	46.8	30.1	1,782
Non-controlling interests	(0)	50.5	33.4	(0)
Net attributable profit (loss)	2,614	46.8	30.1	1,781

Balance sheets	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22 ⁽²⁾
Cash, cash balances at central banks and other demand deposits	11,529	(12.8)	(22.4)	13,228
Financial assets designated at fair value	53,881	15.7	3.0	46,575
<i>Of which: Loans and advances</i>	<i>1,588</i>	<i>5.4</i>	<i>(6.2)</i>	<i>1,507</i>
Financial assets at amortized cost	92,237	19.5	6.3	77,191
<i>Of which: Loans and advances to customers</i>	<i>83,693</i>	<i>17.5</i>	<i>4.6</i>	<i>71,231</i>
Tangible assets	2,253	14.4	1.8	1,969
Other assets	4,858	35.2	20.3	3,593
Total assets/liabilities and equity	164,758	15.6	2.9	142,557
Financial liabilities held for trading and designated at fair value through profit or loss	28,813	11.5	(0.8)	25,840
Deposits from central banks and credit institutions	9,836	123.4	98.8	4,402
Deposits from customers	84,865	9.2	(2.9)	77,750
Debt certificates	9,778	26.0	12.2	7,758
Other liabilities	21,384	26.0	12.1	16,976
Regulatory capital allocated	10,083	2.6	(8.7)	9,831

Relevant business indicators	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22
Performing loans and advances to customers under management ⁽³⁾	84,342	17.5	4.6	71,788
Non-performing loans	2,230	15.0	2.4	1,939
Customer deposits under management ⁽³⁾	83,270	8.0	(3.9)	77,117
Off-balance sheet funds ⁽⁴⁾	49,660	30.0	15.7	38,196
Risk-weighted assets	85,111	18.6	5.6	71,738
Efficiency ratio (%)	30.4			31.7
NPL ratio (%)	2.5			2.5
NPL coverage ratio (%)	129			129
Cost of risk (%)	2.86			2.49

(1) At constant exchange rate.

(2) Restated balances according to IFRS17 - Insurance contracts.

(3) Excluding repos.

(4) Includes mutual funds, customer portfolios and other off-balance sheet funds.

Macro and industry trends

After growing by 3.1% in 2022, economic activity continues to expand at a relatively high pace, mainly due to the dynamism of private consumption, boosted by the performance of the manufacturing industry, and GDP could grow by around 2.4% in 2023, 100 basis points above BBVA Research's previous forecast. The inflation rate, which closed 2022 at 7.8%, has reached 5.1% in June and could average around 5.5% in 2023, well above the central bank's target. Official interest rates, currently at 11.25%, are expected to start to be cut from the last quarter of the year, as inflationary pressures continue to ease.

As for the banking system, with data as of the end of May 2023, the volume of outstanding credit to the non-financial private sector increased by 10.6% year-on-year, with a greater boost from the consumer portfolio (+17.9%) followed by mortgages (+11.2%) and companies (+7.6%). The growth of total deposits remained at levels similar to those of recent months, at 6.8% year-on-year in May 2023, where the recomposition towards time deposits continued (+18.4% year-on-year). The system's NPL ratio remains stable at around 2.41% in May 2023 and capital indicators, for its part, are comfortable.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity in the first half of 2023 were:

- Lending activity (performing loans under management) grew by 4.6% between January and June 2023, with a more dynamic growth in the retail portfolio. The wholesale portfolio, which includes large companies and public sector, grew by 1.6% (despite the negative effect of the depreciation of the U.S. dollar against the Mexican peso), highlighting the dynamism of the corporate banking segment, explained in part by the favorable economic evolution and the reduced reliance on international debt markets by companies. For its part, the retail portfolio grew at a rate of 7.1%. Within this segment, loans to SMEs grew by 12.1%, consumer loans by 9.0%, mortgage loans by 4.1%, and credit cards by 7.3%. The portfolio continues to be very balanced in terms of the composition in lending activity, with a relatively equal distribution in lending between wholesale and retail portfolio.
- Customer deposits under management decreased between January and June 2023 (-3.9%), in an environment of high competition to attract liabilities, which was offset by the growth of mutual funds and other off-balance sheet funds, which increased at a rate of 15.7% between January and June 2023, thanks to the boost in commercial.

The most relevant aspects related to the area's activity in the second quarter of 2023 were:

- Lending activity (performing loans under management) recorded a quarterly growth of 2.2%, with growth in both the wholesale and retail portfolios (+0.4% and +3.8%, respectively). During the quarter, the dynamism of the retail segment also stands out as a result of rising real wages and historically low unemployment rates.
- With regard to the asset quality indicators, the NPL ratio stood at a 2.5% at the end of June 2023, which represents a growth of 13 basis points compared to the previous quarter as a result of new NPL entries in retail portfolios, mainly in mortgages and consumer loans, although it remains below the same period of the previous year. For its part, the NPL coverage ratio stood at 129% at the end of June 2023, with a reduction in the quarter as a result of the increase in the balance of non-performing loans.
- Customer deposits under management recorded a decrease compared to the previous quarter (-1.2%), due to lower demand balances (-1.8%). For its part, off-balance sheet funds continued to grow at a rate of 5.7%.

Results

In Mexico, BBVA achieved a net attributable profit of €2,614m by the end of the first half of 2023, representing an increase of 30.1% compared to the same period in 2022, mainly as a result of the notable growth in net interest income, thanks to the strong boost of the activity and the improvement in the customer spread.

The most relevant aspects of the year-on-year changes in the income statement at the end of June 2023 are summarized below:

- Net interest income recorded a significant growth (+26.6%), as a result of strong dynamism of lending activity and an effective price management, with an improvement in customer spreads, in an environment of rising interest rates and strong competition, keeping the cost of deposits very low.
- Net fees and commissions increased by 21.0% thanks to a higher volume of customer transactions, especially in credit cards, as well as to the income derived from mutual funds management.
- The contribution from NTI increased (+22.7%) mainly as a result of the good performance of Global Markets, with a significant contribution from the foreign currency operations.
- The line of other operating income and expenses recorded a growth of 2.5%, partly thanks to the dividends collected in this line, which offset a flat evolution of the insurance business.
- Operating expenses increased (+17.4%), mainly due to higher personnel expenses for salary adjustment and increase in workforce in a context of strong growth in activity and the increase of general expenses linked to inflation, particularly marketing and technology. Despite the above, the efficiency ratio continued to evolve favorably, with a significant improvement of 190 basis points compared to twelve months earlier.
- Loan-loss provisions increased (+25.1%), mainly due to the higher provisioning needs of the retail portfolio. For its part, the cumulative cost of risk at the end of June 2023 stood at 2.86%, in line with the one registered at the end of March 2023.

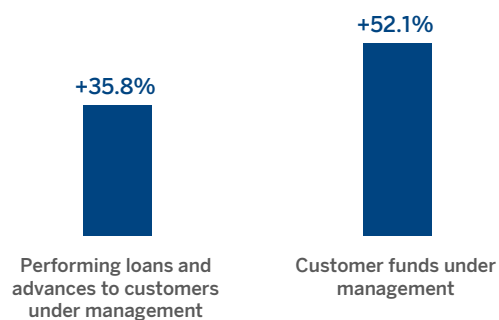
In the quarter, and excluding the exchange rate effects, BBVA Mexico generated net attributable profit of €1,304m, in line with the previous quarter (-0.5%). This result was affected by net interest income, which was slightly lower than the previous quarter, and by higher operating expenses, which were offset by the good performance of net fees and commissions and NTI.

Turkey

Highlights

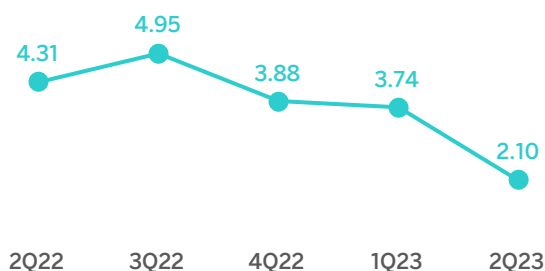
- The dedollarization of the balance sheet continues
- Improvement of the NPL ratio and the cost of risk in the quarter
- Net attributable profit of the second quarter negatively affected by the strong depreciation of the Turkish lira

BUSINESS ACTIVITY (1) (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-22)

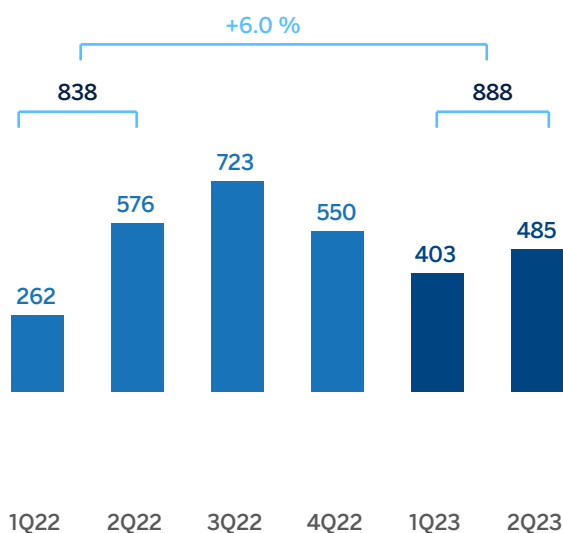


(1) Excluding repos.

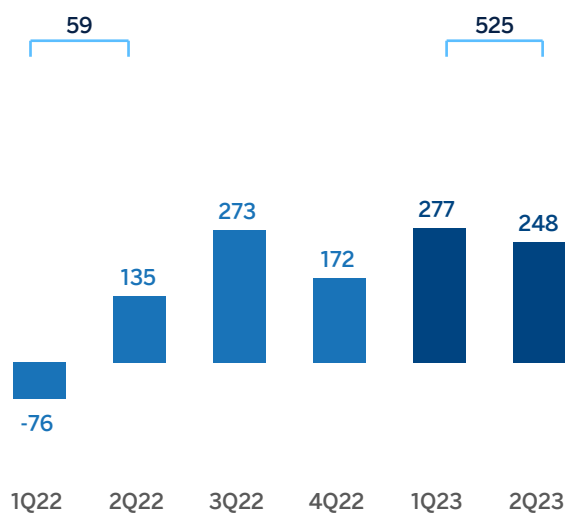
NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CURRENT EXCHANGE RATE)



OPERATING INCOME (MILLIONS OF EUROS AT CURRENT EXCHANGE RATE)



NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CURRENT EXCHANGE RATE)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23	Δ %	Δ % ⁽¹⁾	1H22 ⁽²⁾
Net interest income	980	(15.0)	29.2	1,153
Net fees and commissions	285	(5.6)	43.6	302
Net trading income	394	(0.2)	52.7	395
Other operating income and expenses	(180)	(65.0)	(81.4)	(515)
Gross income	1,480	10.8	n.s.	1,335
Operating expenses	(591)	18.9	75.1	(497)
<i>Personnel expenses</i>	(324)	15.8	74.1	(280)
<i>Other administrative expenses</i>	(206)	34.4	100.7	(153)
<i>Depreciation</i>	(61)	(4.5)	25.0	(64)
Operating income	888	6.0	n.s.	838
Impairment on financial assets not measured at fair value through profit or loss	(55)	(68.2)	(51.4)	(171)
Provisions or reversal of provisions and other results	(47)	37.5	81.5	(34)
Profit (loss) before tax	787	24.3	n.s.	633
Income tax	(170)	(73.1)	(60.2)	(635)
Profit (loss) for the period	617	n.s.	n.s.	(2)
Non-controlling interests	(92)	n.s.	n.s.	61
Net attributable profit (loss)	525	n.s.	n.s.	59

Balance sheets	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22 ⁽²⁾
Cash, cash balances at central banks and other demand deposits	7,759	28.0	81.6	6,061
Financial assets designated at fair value	4,119	(20.8)	12.3	5,203
<i>Of which: Loans and advances</i>	1	(76.0)	(66.0)	3
Financial assets at amortized cost	52,531	1.8	44.3	51,621
<i>Of which: Loans and advances to customers</i>	35,673	(4.7)	35.1	37,443
Tangible assets	1,165	(4.0)	29.0	1,213
Other assets	1,750	(9.7)	26.2	1,938
Total assets/liabilities and equity	67,324	1.9	44.4	66,036
Financial liabilities held for trading and designated at fair value through profit or loss	2,197	2.7	45.7	2,138
Deposits from central banks and credit institutions	2,346	(18.3)	15.9	2,872
Deposits from customers	50,793	9.6	55.5	46,339
Debt certificates	2,860	(11.6)	25.4	3,236
Other liabilities	1,851	(61.0)	(45.6)	4,741
Regulatory capital allocated	7,277	8.4	53.5	6,711

Relevant business indicators	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22
Performing loans and advances to customers under management ⁽³⁾	35,604	(4.3)	35.8	37,191
Non-performing loans	2,056	(20.8)	12.3	2,597
Customer deposits under management ⁽³⁾	49,520	8.6	54.1	45,592
Off-balance sheet funds ⁽⁴⁾	6,800	(2.0)	39.1	6,936
Risk-weighted assets	50,672	(10.0)	27.5	56,275
Efficiency ratio (%)	39.9			33.5
NPL ratio (%)	4.2			5.1
NPL coverage ratio (%)	97			90
Cost of risk (%)	0.23			0.94

(1) At constant exchange rate.

(2) Restated balances according to IFRS17 - Insurance contracts.

(3) Excluding repos.

(4) Includes mutual funds and pension funds.

Macro and industry trends

There are incipient signs of changes in economic policy in general, and monetary policy in particular, since the general elections held in May 2023, which point to a gradual correction of the current macroeconomic distortions, especially the high external financing needs. In this regard, benchmark interest rates have been raised from 8.5% to 17.5% in July and are expected to continue rising in the coming months with the intention of controlling inflation, which reached 38.2% in June in year-on-year terms, in a context in which the speed of depreciation of the Turkish lira has increased. Economic growth could reach 4.5% in 2023, below the 5.6% expansion recorded in 2022, although well above BBVA Research's previous forecast (3.0%), largely due to the strong dynamism of economic activity in the first half of the year. Despite the high uncertainty, highly due to doubts about the duration and scale of the current economic policy adjustment process, the most likely scenario is that the pace of GDP growth will moderate going forward, reducing pressures on inflation, which would nevertheless remain at high levels, fueled by fiscal stimulus, exchange rate depreciation and the high inertia of the price revision process, among other factors.

Regarding the Turkish banking system, with data as of May 2023, where the effect of inflation remains clear, the total volume of credit in the system increased by 53.7% year-on-year, in line with the growth of previous months. The credit stock continues to be driven by the acceleration in consumer and credit card lending (+110.9% year-on-year) while corporate lending grew to a lesser extent (+41.8% year-on-year). Total deposits grew less in May than in previous months (+58.4% year-on-year). Growth in Turkish lira deposits remains stable (+126.1%) while dollar deposits grew much more slowly (+8.6%). The dollarization stood at 40% at the end of May 2023 (vs. 59% a year earlier, driven by regulatory measures commissioned last year to encourage the growth of Turkish lira deposits. As for the system's NPL ratio, it has continued to fall in recent months, and in May it was 1.75% (86 basis points lower than the same month of 2022).

Unless expressly stated otherwise, all comments below on rates of changes for both activity and results, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators. For the conversion of these figures, the end of period exchange rate as of June 30, 2023 is used, reflecting the considerable depreciation by the Turkish lira in the last year, in particular during the second quarter of 2023, with a negative impact in the accumulated results at the end of June 2023. Likewise, the Balance sheet, the Risk-Weighted Asset (RWA) and the equity are affected.

Activity

The most relevant aspects related to the area's activity in the first half of 2023 were:

- Lending activity (performing loans under management) increased by 35.8% between January and June 2023, mainly driven by the growth in Turkish lira loans (+27.6%). This growth was mainly supported by the performance of credit cards and, to a lesser extent, of loans to companies. Foreign currency loans (in U.S. dollars) increased by 5.4%, boosted by the increase in activity with customers focused on foreign trade (with natural hedging of exchange rate risk).
- Customer deposits (75% of the area's total liabilities as of June 30, 2023) remained the main source of funding for the balance sheet and increased by 54.1%. Noteworthy is the positive performance of Turkish lira time deposits (+73.3%), which represent a 79.4% of total customer deposits in local currency. Balances deposited in foreign currency (in U.S. dollars) continued their downward path and decreased by 10.5%, with transfers from foreign currency time deposits to Turkish lira time deposits observed under a foreign exchange protection scheme. Thus, as of June 30, 2023, Turkish lira deposits accounted for 59% of total customer deposits in the area. For its part, off-balance sheet funds grew by 39.1%.

The most relevant aspects related to the area's activity in the second quarter of 2023 were:

- Lending activity (performing loans under management) increased by 24.1%, mainly driven by the growth in Turkish lira loans (+15.6%), since loans in foreign currency deleveraged.
- In terms of asset quality, the NPL ratio decreased 12 basis points from that at the end of March 2023 to 4.2% and 89 basis points below the figure for the end of 2022 due to the good performance in the wholesale portfolio, in repayments, which offset the entries into default in the retail portfolio. The NPL coverage ratio recorded a reduction of 136 basis points in the quarter to 97% as of June 30, 2023 due to the release of a provision to a one-time customer.
- Customer deposits increased by 35.0% mainly thanks to the performance of Turkish lira time deposits (+23.6%) and off-balance sheet funds grew by 23.2%. For its part, balances deposited in foreign currency (in U.S. dollars) continued their downward path and decreased by 2.6%.

Results

Turkey generated a net attributable profit of €525m during the first half of 2023, which compares very positively with the result reached in the first half of 2022, both periods reflecting the impact of the application of hyperinflation accounting. The accumulated result at the end of June 2023 reflects the positive impact of the revaluation for tax purposes of the real estate and other depreciable assets of Garanti BBVA AS which has generated a credit in corporate income tax expense, due to the higher tax base of the assets, amounting to approximately €205m.

In the tax area, after its publication in the Official Gazette on July 15, 2023, Law No. 7456 on Additional Motor Vehicle Tax and Amendments to Certain Laws as well as Decree Law No. 375, for Compensation of Economic Losses Caused by the Earthquakes on February 6, 2023, has entered into force in Turkey. Among other aspects, this Law provides for the modification of the general corporate income tax rate in Turkey from 20% to 25%. However, the general tax rate for banks and financial institutions is increased to 30% (it was already 25%). This change is applicable to profits generated in tax periods beginning on or after January 1, 2023. The Group does not expect significant impacts from this reform.

As mentioned above, the year-on-year comparison of the accumulated income statement at the end of June 2023 at current exchange rate is affected by the strong depreciation of the Turkish lira in the last year. To exclude this effect, the highlights of the first half results at constant exchange rate are summarized below:

- Net interest income recorded a year-on-year growth of 29.2%, reflecting growth in Turkish lira loan, as well as lower funding costs and higher income from the securities portfolio in Turkish lira. This is partially offset by the decline in the Turkish lira spread.
- Net fees and commissions increased by 43.6%, favored by the performance in payment systems fees, money transfers, brokerage activity and guarantees and asset management.
- NTI showed an excellent performance (+52.7%) thanks to the increase in the results of the Global Markets unit, favored by foreign exchange operations and portfolio sales.
- The other operating income and expenses line showed a balance of €-180m, which compares favorably with the previous year. This line includes among others, the loss in the value of the net monetary position due to the country's inflation rate, which stood below the loss recorded in the first half of 2022, partially offset by the income derived from inflation-linked bonds (CPI linkers), which were lower in relation to those obtained in the first half of 2022. It is also worth highlighting the improved performance of Garanti BBVA's subsidiaries, also included in this line.
- Operating expenses increased by 75.1%, with growth both in personnel, as a result of salary improvements to compensate for the loss of purchasing power of the workforce, and in general expenses, where higher expenses in technology stand out, as well as the institutional donation made by the BBVA Group to help those affected by the earthquake that struck an area in the south of the country last February.
- Impairment on financial assets decreased by 51.4%, mainly due to strong improvements in credit quality and repayments in the wholesale segments which led to a significant improvement in the accumulated cost of risk as of June 30, 2023 to 0.23% from the 0.88% at the end of June of the previous year.
- The provisions and other results line closed June 2023 with a higher loss than in the same half of the previous year, mainly due to the update of the provisions for commitments with personnel.

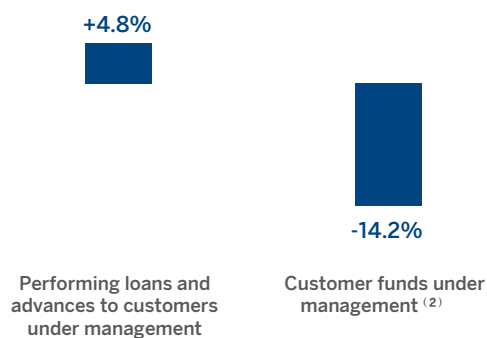
In the second quarter of 2023, the net attributable profit decreased by 10.5% compared to the previous quarter at current exchange rate due to the strong depreciation of the Turkish lira since the end of March (-26% versus the euro). On the other hand, the quarterly inflation rate of the second quarter of the year (6.4%) has been lower than the registered in the previous quarter (12.5%). Thus, the negative adjustment for hyperinflation was significantly smaller.

South America

Highlights

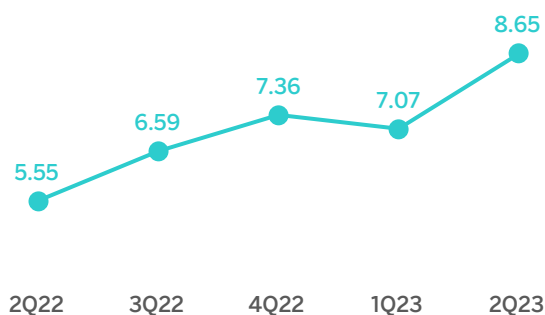
- Growth in lending activity
- Excellent evolution of the net interest income
- Higher adjustment for hyperinflation in Argentina
- Improvement of the efficiency ratio

BUSINESS ACTIVITY (1) (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

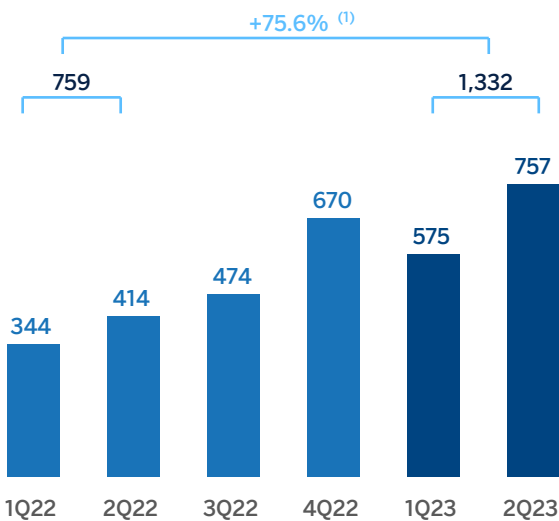


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

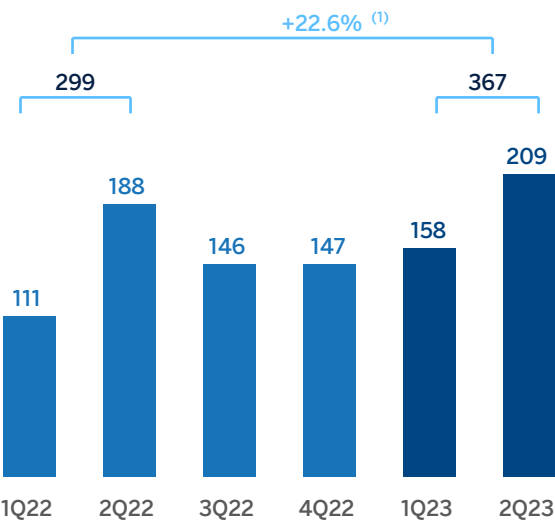


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +25.8%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: -12.2%.

⁽²⁾ The variation in off-balance sheet funds is affected by the transfer of the pension funds managed by the Pension Fund Administrator that the BBVA Group maintains in Bolivia to the Public Long-Term Social Security Manager of Bolivia.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23	Δ %	Δ % ⁽¹⁾	1H22 ⁽²⁾
Net interest income	2,503	35.3	74.8	1,849
Net fees and commissions	411	2.6	25.7	401
Net trading income	268	32.1	59.1	203
Other operating income and expenses	(767)	62.8	80.7	(471)
Gross income	2,415	21.9	60.7	1,982
Operating expenses	(1,083)	17.3	45.6	(923)
<i>Personnel expenses</i>	(505)	13.1	42.7	(447)
<i>Other administrative expenses</i>	(489)	24.1	56.0	(394)
<i>Depreciation</i>	(89)	7.9	16.2	(83)
Operating income	1,332	25.8	75.6	1,059
Impairment on financial assets not measured at fair value through profit or loss	(539)	98.3	134.9	(272)
Provisions or reversal of provisions and other results	(13)	(68.2)	(59.3)	(42)
Profit (loss) before tax	780	4.7	57.0	745
Income tax	(228)	57.8	273.5	(145)
Profit (loss) for the period	552	(8.1)	26.7	601
Non-controlling interests	(185)	1.1	35.5	(183)
Net attributable profit (loss)	367	(12.2)	22.6	418

Balance sheets	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22 ⁽²⁾
Cash, cash balances at central banks and other demand deposits	8,238	7.1	9.3	7,695
Financial assets designated at fair value	12,043	12.2	18.8	10,739
<i>Of which: Loans and advances</i>	247	63.3	45.0	152
Financial assets at amortized cost	44,107	9.0	6.3	40,448
<i>Of which: Loans and advances to customers</i>	41,548	8.1	5.0	38,437
Tangible assets	1,105	1.6	4.7	1,088
Other assets	2,048	3.4	1.9	1,981
Total assets/liabilities and equity	67,541	9.0	8.6	61,951
Financial liabilities held for trading and designated at fair value through profit or loss	4,032	43.3	28.7	2,813
Deposits from central banks and credit institutions	5,809	3.6	(1.3)	5,610
Deposits from customers	43,086	7.6	7.6	40,042
Debt certificates	3,211	8.6	5.3	2,956
Other liabilities	5,122	10.1	22.2	4,655
Regulatory capital allocated	6,281	6.9	6.4	5,874

Relevant business indicators	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22
Performing loans and advances to customers under management ⁽³⁾	41,498	7.8	4.8	38,484
Non-performing loans	2,086	13.6	8.2	1,835
Customer deposits under management ⁽⁴⁾	43,086	7.6	7.6	40,042
Off-balance sheet funds ⁽⁵⁾	5,925	(66.6)	(65.3)	17,760
Risk-weighted assets	50,144	7.1	6.4	46,834
Efficiency ratio (%)	44.8			46.3
NPL ratio (%)	4.3			4.1
NPL coverage ratio (%)	95			101
Cost of risk (%)	2.34			1.69

(1) At constant exchange rates.

(2) Restated balances according to IFRS17 - Insurance contracts.

(3) Excluding repos.

(4) Excluding repos and including specific marketable debt securities.

(5) Includes mutual funds, customer portfolios in Colombia and Peru and pension funds in Bolivia as of 31-12-2022.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

Country	Operating income				Net attributable profit (loss)			
	1H23	Δ %	Δ % ⁽¹⁾	1H22 ⁽²⁾	1H23	Δ %	Δ % ⁽¹⁾	1H22 ⁽²⁾
Argentina	383	109.6	n.s.	183	100	(0.5)	n.s.	101
Colombia	254	(28.8)	(17.4)	357	95	(37.7)	(27.8)	153
Peru	534	25.1	23.0	427	111	(5.4)	(6.9)	117
Other countries ⁽³⁾	161	74.3	67.0	92	60	29.6	23.9	46
Total	1,332	25.8	75.6	1,059	367	(12.2)	22.6	418

(1) Figures at constant exchange rates.

(2) Restated balances according to IFRS17 - Insurance contracts.

(3) Bolivia, Chile (Forum), Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	30-06-23	31-12-22	30-06-23	31-12-22	30-06-23	31-12-22
Performing loans and advances to customers under management ^{(1) (2)}	3,864	2,593	15,510	14,962	17,437	17,443
Non-performing loans ⁽¹⁾	81	43	757	676	1,089	1,085
Customer deposits under management ^{(1) (3)}	7,197	4,715	15,157	14,703	16,848	16,702
Off-balance sheet funds ^{(1) (4)}	2,266	1,559	2,188	2,304	1,468	1,496
Risk-weighted assets	7,309	8,089	17,787	15,279	19,396	17,936
Efficiency ratio (%)	52.4	61.3	45.0	40.4	36.6	37.2
NPL ratio (%)	1.9	1.6	4.5	4.2	5.0	4.9
NPL coverage ratio (%)	157	173	97	106	87	91
Cost of risk (%)	4.13	2.61	1.86	1.56	2.33	1.58

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Excluding repos and including specific marketable debt securities.

(4) Includes mutual funds and customer portfolios (in Colombia and Peru).

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators.

Activity and results

The most relevant aspects related to the area's activity during the first half of the year 2023 were:

- Lending activity (performing loans under management) increased 4.8%, with growth focused on the retail portfolio, which grew more than the wholesale portfolio (7.5% versus 2.2%), mainly favored by the evolution of consumer loans (7.9%), credit cards (+25.1%) and corporate loans (+2.4%).
- Customer funds under management decreased (-14.2%) compared to the closing balances at the end of 2022, with an increase in time deposits (21.7%) in an environment of rising benchmark rates and, reduction of off-balance sheet funds (-65.3%) due to the transfer of pension funds managed by the Pension Fund Administrator that the BBVA Group maintains in Bolivia the Public Long-Term Social Security Management Company of this country.

The most relevant aspects related to the area's activity during the second quarter of the year 2023 were:

- Lending activity (performing loans under management) recorded an increase of 2.2%, thanks to the good performance of the retail portfolio, that continues to benefit from consumer loans (3.0%) and credit cards (13.9%).
- With regard to asset quality, the NPL ratio stood at 4.3%, an increase of 9 basis points in the quarter at the regional level, generalized in all geographies due to retail entries, except in Peru, where the NPL ratio falls as a consequence of a higher volume of write-offs. The area's NPL coverage ratio stood at 95%.
- Customer funds under management decreased (-17.7%) compared to the previous quarter, due to the transfer of pension funds from Bolivia.

South America generated a cumulative net attributable profit of €367m at the end of the first half of the year 2023, which represents a year-on-year increase of +22.6%, thanks to the good performance of recurring income (+65.7%) and the area's NTI, which offset the increase in expenses, in a highly inflationary environment throughout the region, and the higher provisioning requirements for impairment on financial assets.

With regard to the inflation impact in Argentina, it stood at €-594m at the end of June 2023, above the €-360m accumulated at the end of June 2022, registered in the "Other operating income and expenses" heading of the area's income statement.

More detailed information on the most representative countries of the business area is provided below:

Argentina

Macro and industry trends

The unfavorable macroeconomic conditions have continued to deteriorate, increasing the risk of economic and financial turbulence ahead of the presidential elections scheduled for the last quarter of the year. Likewise, after growing by 5.2% in 2022, GDP is expected to fall by around 3.5% this year, 100 basis points more than previously forecast by BBVA Research (-2.5%), largely due to the impact of the negative weather shock on the production and export of agricultural goods. In this context, its impact on the external and fiscal accounts has contributed to accelerate the exchange rate depreciation and inflation, which in annual terms reached 115.6% in June.

The banking system continues to grow at a steady pace, but driven by high inflation. With data as of April 2023, total lending grew by 88.1% compared to the same month in 2022, favored by both consumer and corporate portfolios, reaching growth of 81.3% and 104.2% year-on-year, respectively. For its part, deposits accelerated their growth compared to previous months, increasing by 114.8% year-on-year according to the data as of the end of April 2023. Finally, the NPL ratio remained stable at 3.1% in April 2023 (49 basis points lower than in the same month in 2022).

Activity and results

- In the first half of 2023, performing loans under management increased by 49.0%, a figure that is well below inflation, with growth in both the business portfolio (51.5%) and the retail portfolio (+46.9%), highlighting in the latter credit cards (+45.1%) and consumer loans (+46.0%). The NPL ratio stood at 1.9%, which represents an increase of 20 basis points compared to the previous quarter due to higher entries in NPLs in the retail segment, especially credit cards. The NPL coverage ratio stood at 157% due to the increase in the non-performing loans balance mentioned above.
- Balance sheet funds grew by 52.6% between January and June 2023, with time deposits increasing at a faster rate than demand deposits (+54.3% versus +50.2%). For its part, investment funds also experienced a favorable growth (+45.3%).
- The cumulative net attributable profit at the end of June 2023 stood at €100m, well above the figure achieved in the first half of 2022, which is mainly explained by the favorable evolution of the net interest income, driven by both volume and price effect; with an improvement in customer spread, as well as a higher profitability of the securities portfolios. The year-on-year evolution of recurring income and NTI was also favorable and was partially offset by a more negative adjustment for inflation (mainly collected in the other operating income and expenses line), higher expenses both in personnel due to salary revisions, as well as general expenses and impairment of financial assets. The quarterly evolution shows the same dynamics as mentioned for the cumulative income statement.

Colombia

Macro and industry trends

After GDP growth of 7.3% in 2022, economic activity has lost dynamism in the first half of 2023. However, the slowdown recorded in recent months has been lower than expected by BBVA Research, justifying an upward revision of the growth forecast for this year to 1.2% (50 basis points higher than previously expected). In a context of uncertainty regarding public policies, high inflation (12.1% in June) has contributed to the Bank of the Republic raising interest rates to 13.25% in the second quarter of the year. Also, the expected moderation of inflation during the second half of the year (its average would be around 11.7% for the year) would probably allow interest rates to be cut starting in the fourth quarter of 2023.

Total lending growth in the banking sector stood at 12.5% year-on-year in March 2023, and continues to be driven by corporate credit at 14.8% and lending to households, mainly consumer loans, at 11.7% year-on-year. Moreover, total deposits grew by 13.5% year-on-year at March 2023, characterized by a strong shift towards time deposits (up 63.5% year-on-year) and a drop in demand deposits (to -7.7% year-on-year). The system's NPL ratio has grown in recent months and it has reached to 4.3% in March 2023, 47 basis points above the same month in 2022.

Activity and results

- Lending activity registered a growth of 3.7% compared to the end of 2022. Both the retail and wholesale portfolio increased (3.7% and 3.6%, respectively), thanks to the performance of consumer loans, credit cards and business loans. In terms of asset quality, the NPL ratio increased in the second quarter of the year (+17 basis points) to 4.5%, originating from retail portfolios, mainly consumer portfolios. For its part, the NPL coverage ratio declined slightly in the quarter to 97%.
- In the first half of 2023, customer deposits increased by 3.1% thanks to the positive evolution of time deposits (13.6%).
- The cumulative net attributable profit at the end of the first half of 2023 stood at €95m, that is, 27.8% lower than at the end of the same period of the previous year. The lower contribution from net interest income was affected by the high cost of funds and was partially offset by NTI and net fees and commissions. On the lower part of the income statement, higher operating expenses and higher provisions for impairment of financial assets. In the second quarter of 2023, net interest income and NTI contracted while net fees and commissions increased thanks to the performance of fees for means of payment and securities. On the lower part of the income statement, lower operating expenses and loan-loss provisions increase, although there was a positive tax impact which helped the net attributable profit growth in the quarter to stand at 27.8%.

Peru

Macro and industry trends

In a context marked by political instability, and, more recently negative weather shocks, GDP expanded by 2.7% in 2022 and growth could slow to around 1.6% in 2023, according to BBVA Research, a forecast 30 basis points lower than the previous one. Inflation, which reached 6.7% in June, is expected to remain high in 2023 (around 6.5% on average) despite the prospect of gradual moderation. Official interest rates will remain at the current level of 7.75% in the coming months, but are likely to start to be cut from the last quarter of this year.

Total credit in the Peruvian banking system remained flat in April 2023 (0% year-on-year). The performance by portfolios is uneven, with the greatest deceleration continuing to be observed in credit to companies, with a contraction in the loan balance of -5.8% year-on-year. In contrast, the dynamism of consumer loans remains, with the balance growing by 17.1% year-on-year in March 2023, while the mortgage portfolio maintained a stable growth rate of around 5.6% year-on-year. The system's total deposits remained practically flat (+0.4% year-on-year in April 2023), with a greater shift towards time deposits (+36.7% year-on-year) to the detriment of demand deposits (-12.5% year-on-year). For its part, the system's NPL ratio remains at similar levels in recent months, at 4.0% in April 2023 (25 basis points higher than in the same month in 2022).

Activity and results

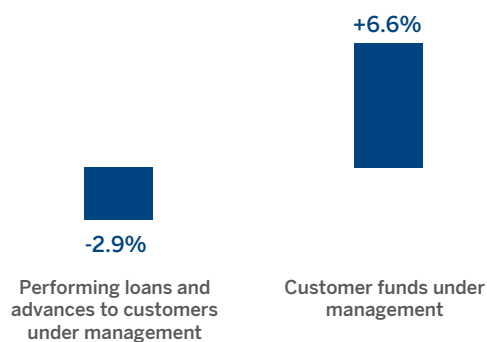
- Lending activity remained flat compared to the close of December 2022 due to a deleveraging of the corporate portfolio (-3.3%), mainly due to the maturities of the "Reactiva Perú" program and some CIB operations, partially offset by a favorable evolution of consumer loans (+10.8%) and credit cards (+14.5%). In terms of credit quality indicators, the NPL ratio decreased during the quarter to 5.0%, thanks to a high volume of write-offs mitigating the higher volume of entries to doubtful assets. For its part, the NPL coverage ratio decreased to 87%.
- Customers funds under management increased slightly during the first half of 2023 (+0.6), due to the favorable performance of time deposits (25.0%), supported by the rise in benchmark rates by the central bank, which offset lower balances in demand deposits (-8.9%) and off-balance sheet funds (-1.9%).
- BBVA Peru's net attributable profit stood at €111m at the end of June 2023, 6.9% below the figure achieved at the end of the same half of the previous year, despite the good performance of recurring income from the banking business, which grew by 22.5%, and NTI. On the lower part of the income statement, there was an increase in operating expenses (+21.4%) and provisions for impairment of financial assets (+174.4%), mainly due to the worsening of the macroeconomic scenario and greater needs in retail portfolios. In the second quarter of 2023, net interest income increased, favored by the greater dynamism of the retail portfolio, together with an improvement in the customer spread, there was a lower NTI and higher loan-loss provisions, bringing BBVA Peru's net attributable profit at the end of the second quarter to, excluding the effect of exchange rate fluctuations, €53m, 7.3% lower than in the first quarter.

Rest of Business

Highlights

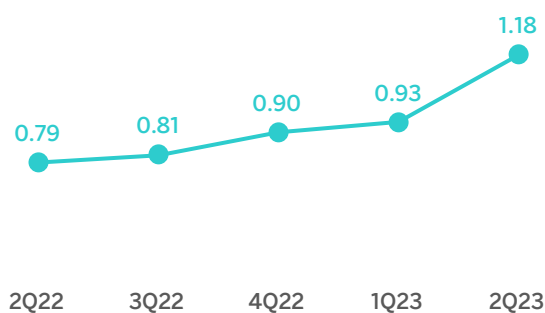
- Growth in resources the quarter
- Dynamism in recurring income and NTI
- NPL ratio and cost of risk remain at low levels
- Efficiency improvement continues

BUSINESS ACTIVITY (1) (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

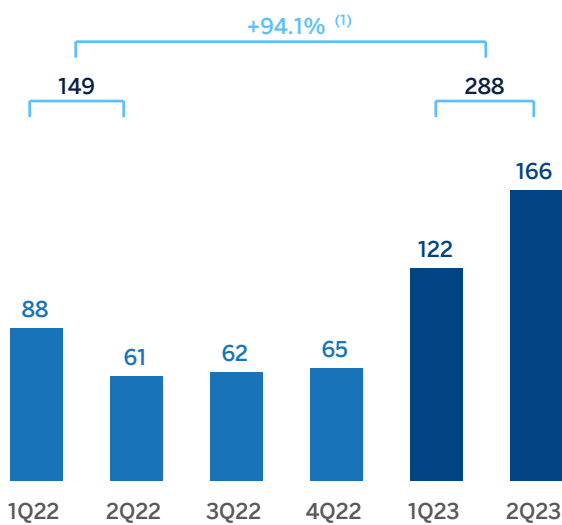


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

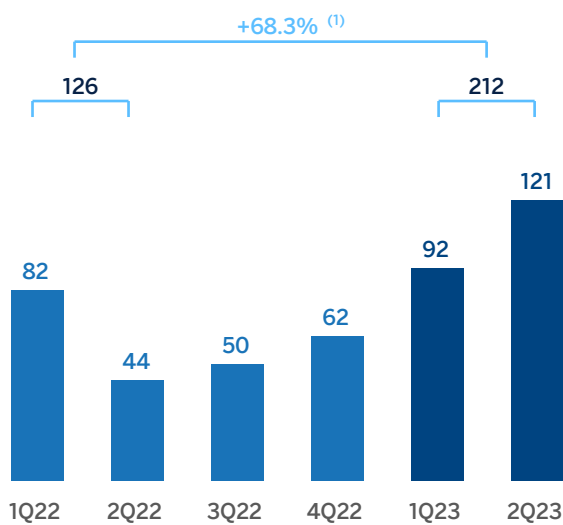


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +92.0%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +66.0%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23	Δ %	Δ % ⁽¹⁾	1H22
Net interest income	260	67.5	69.3	155
Net fees and commissions	132	8.9	8.9	122
Net trading income	173	67.3	68.7	103
Other operating income and expenses	0	(90.9)	(90.1)	4
Gross income	565	47.3	48.4	384
Operating expenses	(277)	18.6	19.2	(234)
<i>Personnel expenses</i>	(134)	11.1	11.6	(121)
<i>Other administrative expenses</i>	(131)	28.3	29.1	(102)
<i>Depreciation</i>	(12)	11.4	11.2	(11)
Operating income	288	92.0	94.1	150
Impairment on financial assets not measured at fair value through profit or loss	(23)	n.s.	n.s.	0
Provisions or reversal of provisions and other results	6	(47.8)	(45.7)	12
Profit (loss) before tax	272	67.4	69.7	162
Income tax	(59)	72.7	74.9	(34)
Profit (loss) for the period	212	66.0	68.3	128
Non-controlling interests	—	—	—	—
Net attributable profit (loss)	212	66.0	68.3	128

Balance sheets	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22
Cash, cash balances at central banks and other demand deposits	5,634	40.3	42.8	4,015
Financial assets designated at fair value	8,646	69.9	72.7	5,090
<i>Of which: Loans and advances</i>	7,882	86.3	89.8	4,230
Financial assets at amortized cost	39,510	(2.3)	(1.8)	40,425
<i>Of which: Loans and advances to customers</i>	36,175	(3.2)	(2.7)	37,375
Inter-area positions	—	—	—	—
Tangible assets	71	(8.6)	(8.5)	78
Other assets	380	10.7	11.8	343
Total assets/liabilities and equity	54,242	8.6	9.4	49,952
Financial liabilities held for trading and designated at fair value through profit or loss	7,805	77.5	80.8	4,397
Deposits from central banks and credit institutions	2,217	(19.2)	(18.6)	2,745
Deposits from customers	10,470	6.5	7.1	9,827
Debt certificates	1,360	(12.9)	(12.4)	1,561
Inter-area positions	27,284	4.7	5.3	26,060
Other liabilities	1,066	5.1	6.1	1,014
Regulatory capital allocated	4,039	(7.1)	(6.6)	4,348

Relevant business indicators	30-06-23	Δ %	Δ % ⁽¹⁾	31-12-22
Performing loans and advances to customers under management ⁽²⁾	36,162	(3.4)	(2.9)	37,431
Non-performing loans	254	31.9	31.9	192
Customer deposits under management ⁽²⁾	10,470	6.5	7.1	9,827
Off-balance sheet funds ⁽³⁾	506	(2.8)	(2.8)	520
Risk-weighted assets	32,728	(6.7)	(6.1)	35,064
Efficiency ratio (%)	49.0			65.0
NPL ratio (%)	0.5			0.4
NPL coverage ratio (%)	96			131
Cost of risk (%)	0.13			0.04

(1) At constant exchange rates.

(2) Excluding repos.

(3) Includes pension funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators. Comments that refer to Europe exclude Spain.

Activity

The most relevant aspects of the evolution of BBVA Group's Rest of Business activity between January and June 2023 were:

- Lending activity (performing loans under management) declined -2.9%, mainly due to the deleveraging of the wholesale business in Asia, which was partially offset by the favorable performance of the New York branch.
- Customer funds under management grew by 6.6%, thanks to the growth in time deposits in the Asian and New York branches, which comfortably offset the decline in demand deposits.

The most relevant aspects of the evolution of BBVA Group's Rest of Business activity in the second quarter of 2023 were:

- Lending activity (performing loans under management) remained practically stable (+0.6%) with a strong performance in Europe.
- Regarding credit risk indicators, the NPL ratio stood at 0.5%, in line with the previous quarter and the coverage ratio decreased to 96%.
- Customer funds under management grew by 3.6% mainly thanks to the performance of time deposits in the Asian and European branches. For its part, off-balance-sheet customer funds were at similar levels to those of the previous quarter (-0.8%).

Results

Rest of Business achieved a net attributable profit of €212m accumulated at the end of the first half of 2023, 68.3% higher than in the same period of the previous year, thanks to a favorable performance of recurring income, especially the net interest income, and NTI, which offset the increase in expenses in a context of higher inflation and normalization of loan-loss provisions.

The year-on-year evolution of the main lines of the area's income statement at the end of June 2023 was particularly noteworthy:

- The net interest income improved 69.3%, as a result of generalized interest rate hikes by central banks in the geographical areas included in this aggregate, as well as the higher volume of loans under management. Particularly noteworthy was the performance in Europe and, to a lesser extent, of the New York branch.
- Net fees and commissions increased (+8.9%), with a good performance especially in the New York office, BBVA Securities and, to a lesser extent, the CIB business in Asia, which offset lower fees and commissions recorded in Europe.
- The NTI line grew by 68.7%, supported by the results of the businesses that the Group maintains in the United States, with the New York branch standing out, and, to a lesser extent, by the results in Europe and Asia.
- Increase in operating expenses of 19.2%, mainly due to higher general and personnel expenses, mainly in Europe and the New York branch.
- The impairment on financial assets line at the end of June 2023 registered a provision of €23m, mainly originated in Europe.
- The provisions or reversal of provisions line and other results decreased by 45.7% partly due to lower releases for risks and contingent commitments compared to the same period of the previous year.
- As a result of the above, the area's cumulative net attributable profit between January and June 2023 was €212m (+68.3% year-on-year).

In the second quarter of 2023 and excluding the effect of the variation in exchange rates, the Group's Rest of Businesses as a whole generated a net attributable profit of €121m (+31.9% compared to the previous quarter) thanks to the favorable evolution of the net interest income and NTI, lower requirements of loan-loss provisions and control of operating expenses.

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23	Δ %	1H22
Net interest income	(140)	120.0	(64)
Net fees and commissions	(30)	48.9	(20)
Net trading income	(595)	n.s.	(121)
Other operating income and expenses	50	(15.2)	58
Gross income	(716)	n.s.	(147)
Operating expenses	(414)	5.5	(392)
<i>Personnel expenses</i>	<i>(308)</i>	<i>13.3</i>	<i>(272)</i>
<i>Other administrative expenses</i>	<i>(5)</i>	<i>(78.2)</i>	<i>(22)</i>
<i>Depreciation</i>	<i>(101)</i>	<i>2.7</i>	<i>(98)</i>
Operating income	(1,129)	109.7	(539)
Impairment on financial assets not measured at fair value through profit or loss	0	(90.2)	1
Provisions or reversal of provisions and other results	6	14.1	5
Profit (loss) before tax	(1,123)	111.0	(532)
Income tax	39	(86.7)	294
Profit (loss) for the period	(1,084)	n.s.	(238)
Non-controlling interests	13	58.5	8
Net attributable profit (loss)	(1,072)	n.s.	(230)

Balance sheets	30-06-23	Δ %	31-12-22
Cash, cash balances at central banks and other demand deposits	634	(25.9)	856
Financial assets designated at fair value	2,457	2.8	2,390
<i>Of which: Loans and advances</i>	<i>50</i>	<i>n.s.</i>	<i>—</i>
Financial assets at amortized cost	3,515	7.8	3,262
<i>Of which: Loans and advances to customers</i>	<i>250</i>	<i>(9.9)</i>	<i>278</i>
Inter-area positions	—	—	—
Tangible assets	1,746	(6.3)	1,863
Other assets	14,558	1.5	14,349
Total assets/liabilities and equity	22,910	0.8	22,719
Financial liabilities held for trading and designated at fair value through profit or loss	404	273.4	108
Deposits from central banks and credit institutions	694	1.8	682
Deposits from customers	185	(1.1)	187
Debt certificates	(747)	(13.4)	(863)
Inter-area positions	8,218	3.2	7,963
Other liabilities	3,665	(8.6)	4,011
Regulatory capital allocated	(42,077)	5.5	(39,887)
Total equity	52,568	4.1	50,517

Results

The Corporate Center recorded in the first half of the year 2023 a net attributable profit of €-1,072m , compared with €-230m recorded in the same period of the previous year, mainly due to a negative contribution in the NTI line from exchange rate hedges as a result of better than expected currency performance, in particular the Mexican peso.

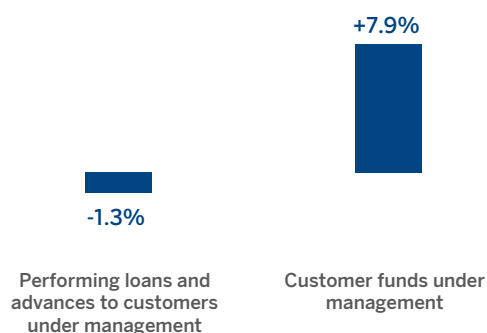
In the quarterly evolution of this aggregate, it is worth highlighting the recording of Telefónica's dividend.

Other information: Corporate & Investment Banking

Highlights

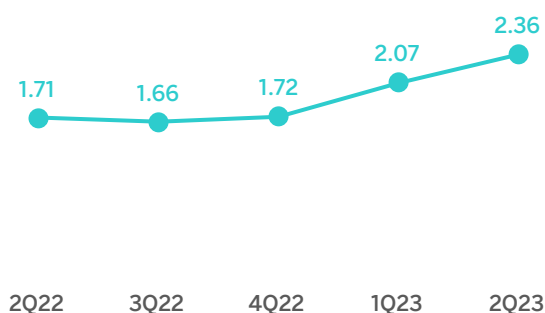
- Growth in customer funds
- Good performance of recurrent revenues and outstanding NTI evolution
- Improvement in efficiency
- Growth in net attributable profit

BUSINESS ACTIVITY (1) (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

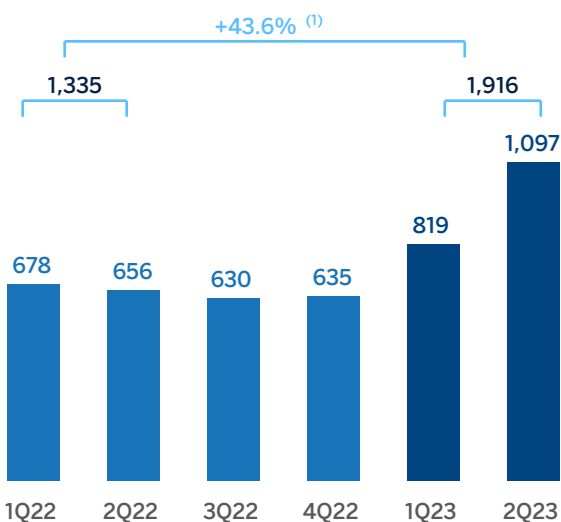


(1) Excluding repos.

GROSS INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

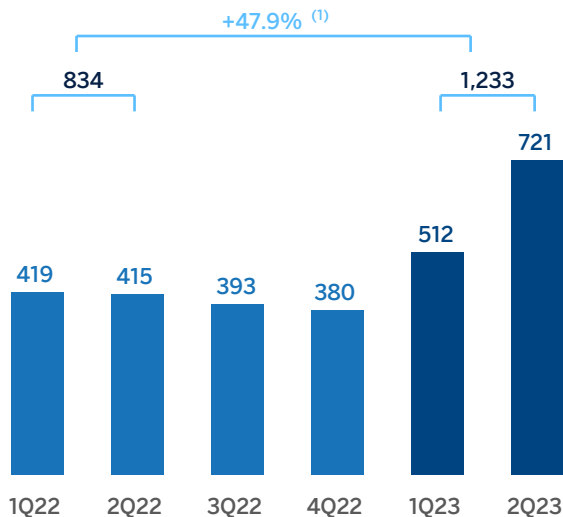


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +31.2%.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +38.5%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H23 ⁽¹⁾	Δ %	Δ % ⁽²⁾	1H22
Net interest income	1,000	5.8	13.5	945
Net fees and commissions	537	24.0	28.9	433
Net trading income	1,026	64.8	82.8	623
Other operating income and expenses	(41)	160.9	157.2	(16)
Gross income	2,523	27.0	36.9	1,986
Operating expenses	(607)	15.5	19.4	(525)
<i>Personnel expenses</i>	(284)	18.9	21.3	(239)
<i>Other administrative expenses</i>	(271)	15.6	22.5	(234)
<i>Depreciation</i>	(52)	(0.8)	(2.1)	(52)
Operating income	1,916	31.2	43.6	1,461
Impairment on financial assets not measured at fair value through profit or loss	(19)	n.s.	103.1	5
Provisions or reversal of provisions and other results	12	35.6	54.2	9
Profit (loss) before tax	1,909	29.5	43.2	1,475
Income tax	(523)	25.8	38.6	(416)
Profit (loss) for the period	1,386	30.9	45.0	1,059
Non-controlling interests	(154)	(8.9)	25.8	(169)
Net attributable profit (loss)	1,233	38.5	47.9	890

Balance sheets	30-06-23	Δ %	Δ % ⁽²⁾	31-12-22
Cash, cash balances at central banks and other demand deposits	5,354	(3.1)	(4.0)	5,524
Financial assets designated at fair value	157,133	33.2	31.4	117,958
<i>Of which: Loans and advances</i>	72,812	60.5	60.6	45,360
Financial assets at amortized cost	89,267	(0.2)	0.2	89,440
<i>Of which: Loans and advances to customers</i>	75,870	(1.7)	(1.1)	77,208
Inter-area positions	—	—	—	—
Tangible assets	54	3.5	2.3	52
Other assets	13,755	n.s.	n.s.	862
Total assets/liabilities and equity	265,563	24.2	23.5	213,836
Financial liabilities held for trading and designated at fair value through profit or loss	129,517	31.1	29.7	98,790
Deposits from central banks and credit institutions	27,114	29.2	28.5	20,987
Deposits from customers	55,331	14.8	14.6	48,180
Debt certificates	5,757	8.8	7.4	5,292
Inter-area positions	30,159	17.8	18.9	25,609
Other liabilities	6,565	59.2	47.5	4,124
Regulatory capital allocated	11,121	2.5	5.0	10,855

Relevant business indicators	30-06-23	Δ %	Δ % ⁽²⁾	31-12-22
Performing loans and advances to customers under management ⁽³⁾	75,796	(1.9)	(1.3)	77,291
Non-performing loans	785	4.2	33.8	753
Customer deposits under management ⁽³⁾	48,633	2.9	2.7	47,270
Off-balance sheet funds ⁽⁴⁾	4,166	138.0	167.8	1,750
Efficiency ratio (%)	24.0			28.5

(1) For the translation of the income statement in those countries where hyperinflation accounting is applied, the punctual exchange rate as of June 30, 2023 is used.

(2) At constant exchange rates.

(3) Excluding repos.

(4) Includes mutual funds, customer portfolios and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. For the conversion of these figures in those countries in which accounting for hyperinflation is applied, the end of period exchange rate as of June 30, 2023 is used. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity in the first half of 2023 were:

- Lending activity (performing loans under management) was -1.3% lower than at the end of December 2022. By products, the evolution of Investment Banking & Finance is noteworthy, and by geographical areas, in the United States the evolution of corporate loans (Corporate Lending) stands out. The evolution of this line in the rest of the geographies continues to be slower than expected
- Customer funds grew by (7.9%) between January and June 2023, maintaining the positive trend in price management.

The most relevant aspects related to the area's activity in the second quarter of 2023 were:

- Lending activity remained stable -0.2%, highlighting the evolution of Investment Banking & Finance.
- Customer funds grew by 4.8% mainly due to the performance in Mexico.

Results

CIB generated a net attributable profit of €1,233m in the first half of 2023. These results, which do not include the application of hyperinflation accounting, represent an increase of 47.9% on a year-on-year basis and reflects the contribution of the diversification of products and geographical areas, as well as the progress of the Group's wholesale businesses in its strategy, leveraged on globality and sustainability, with the purpose of being relevant to its clients.

The contribution by business areas, excluding the Corporate Center, to CIB's accumulated net attributable profit at the end of June 2023 was as follows: 16% Spain, 24% Mexico, 30% Turkey, 14% South America and 16% Rest of Business. By business line, GTB's contribution was particularly noteworthy, thanks to factoring and confirming campaigns and liability price management, although all lines recorded a positive evolution.

The most relevant aspects of the year-on-year evolution in the income statement of this aggregate are summarized below:

- Net interest income was 13.5% higher than in the same period last year, partly thanks to the good year-on-year performance of the business. GTB stands out, which evolved favorably in all geographic areas.
- Net fees and commissions grew by 28.9%, with positive evolution of all business lines, especially in GTB and Global Markets, benefited from an increase in operations in the primary debt market. By geographical areas, all had a favorable evolution, especially Spain and Mexico.
- Excellent NTI performance (+82.8%), mainly due to the performance of the Global Markets unit due to revenues generated by foreign currency operations in emerging markets. As for the geographical areas, all except Spain showed growth.
- The operating expenses increased by 19.4%, driven by higher personnel expenses, partly due to measures taken by the Group to compensate for the loss in purchasing power of the workforce and salary review processes, as well as the increase in the number of employees in the area. On the other hand, general expenses continue to be affected by inflation and higher technology-related expenses. Despite this, the efficiency ratio improved to at 24.0%, which represents an improvement compared to the same period of the previous year.
- Provisions for impairment on financial assets increased mainly originating in Turkey.

In the second quarter of 2023 and excluding the effect of the variation in exchange rates, the Group's wholesale businesses generated a net attributable profit of €721m (+40.9% compared to the previous quarter). This performance was mainly due to the good performance of NTI together with recurring income (net interest income and net fees and commissions).

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). Additionally, the Group also considers that some Alternative Performance Measures (hereinafter APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en). The guideline mentioned before is aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the aforementioned guideline, BBVA Group's APMs:

- Include clear and readable definitions of the APMs.
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items.
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers.
- Do not have greater preponderance than measures directly stemming from financial statements.
- Are accompanied by comparatives for previous periods.
- Are consistent over time.

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency¹¹ of the geographical areas in which the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Reconciliation of the Financial Statements of the BBVA Group

Below is the reconciliation between the income statements of the Consolidated Financial Statements and the consolidated management income statement, for the first half of the year 2022.

The main difference between the two accounts is in the treatment of the impact of the purchase from Merlin of 100% of the shares of Tree, which in turn owns 662 offices in Spain. For management purposes, this impact is included in a single line, net of taxes, of the income statement called "Discontinued operations and Other", compared to the treatment in the Consolidated Financial Statements, which record the gross impact and its tax effect under the corresponding headings that are applicable to them.

¹¹ With the exception of those countries whose economies have been considered hyperinflationary, for which the closing exchange rate of the most recent period will be used.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT		ADJUSTMENTS	MANAGEMENT INCOME STATEMENT	
	1H22		1H22	
NET INTEREST INCOME	8,538	—	8,538	Net interest income
Dividend income	76		(*)	
Share of profit or loss of entities accounted for using the equity method	15		(*)	
Fee and commission income	3,964		3,964	Fees and commissions income
Fee and commission expense	(1,305)		(1,305)	Fees and commissions expenses
	2,659	—	2,659	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	39			
Gains (losses) on financial assets and liabilities held for trading, net	11			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(35)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	348			
Gains (losses) from hedge accounting, net	16			
Exchange differences, net	716			
	1,096	—	1,096	Net trading income
Other operating income	297			
Other operating expense	(1,803)			
Income from insurance and reinsurance contracts	1,343			
Expense from insurance and reinsurance contracts	(802)			
	(876)	—	(876)	Other operating income and expenses
GROSS INCOME	11,417	—	11,417	Gross income
Administration costs	(4,371)		(5,024)	Operating expenses (**)
Personnel expense	(2,582)	—	(2,582)	Personnel expenses
Other administrative expense	(1,790)	—	(1,790)	Other administrative expenses
Depreciation and amortization	(652)	—	(652)	Depreciation
	6,393	—	6,393	Operating income
Provisions or reversal of provisions	(112)	—	(112)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,441)	—	(1,441)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	4,841	—	4,841	
Impairment or reversal of impairment of investments in joint ventures and associates	19			
Impairment or reversal of impairment on non-financial assets	—			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(15)			
Negative goodwill recognized in profit or loss	—			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(120)			
	(116)	134	18	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	4,724	134	4,858	Profit (loss) before tax
Tax expense or income related to profit or loss from continuing operations	(1,650)	67	(1,583)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	3,074	201	3,275	Profit (loss) for the period
Profit (loss) after tax from discontinued operations	—	—	—	
PROFIT (LOSS) FOR THE PERIOD	3,074	201	3,275	Profit (loss) for the period
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	(117)	—	(117)	Non-controlling interests
ATTRIBUTABLE TO OWNERS OF THE PARENT	2,957	201	3,159	Net attributable profit (loss) excluding non-recurring impacts
		(201)	(201)	Discontinued operations and Others
ATTRIBUTABLE TO OWNERS OF THE PARENT	2,957	—	2,957	Net attributable profit (loss)

(*) Included within the Other operating income and expenses of the Management Income Statements

(**) Depreciations included.

Adjusted profit (loss) for the period (excluding non-recurring impacts)

Explanation of the formula: the adjusted profit (loss) for the period is defined as the profit (loss) for the period from the Group's consolidated income statement, excluding those non-recurring impacts that, for management purposes, are defined at any given moment. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: this measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit (loss) for the period		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
(Millions of euros)	+ Annualized profit (loss) after tax	8,357	6,763	6,404
(Millions of euros)	- Net impact arisen from the purchase of offices in Spain	—	(201)	(201)
= Adjusted profit (loss) for the period		8,357	6,965	6,605

Adjusted net attributable profit (loss) (excluding non-recurring impacts)

Explanation of the formula: the adjusted net attributable profit (loss) is defined as the net attributable profit (loss) of the Group's consolidated income statement excluding those non-recurring impacts that, for management purposes are defined at any given moment. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: this measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit (loss)		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
(Millions of euros)	+ Annualized net attributable profit (loss)	7,820	6,358	6,169
(Millions of euros)	- Net impact arisen from the purchase of offices in Spain	—	(201)	(201)
= Adjusted net attributable profit (loss)		7,820	6,559	6,370

ROE

The ROE (return on equity) ratio measures the accounting return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: the numerator is the net attributable profit (loss) of the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group's results.

Average accumulated other comprehensive income is the moving weighted average of "Accumulated other comprehensive income", which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: this ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

ROE		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	= Annualized net attributable profit (loss)	7,820	6,358	6,169
Denominator (Millions of euros)	+ Average shareholder's funds	64,979	61,517	59,721
	+ Average accumulated other comprehensive income	(16,572)	(16,055)	(15,197)
= ROE		16.2 %	14.0 %	13.9 %

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Adjusted net attributable profit (loss)}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: the numerator is the adjusted net attributable profit (loss) previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized. The denominator items "Average shareholders' funds" and "Average accumulated other comprehensive income" are the same and they are calculated in the same way as that explained for ROE.

Relevance of its use: this ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	= Annualized adjusted net attributable profit (loss)	7,820	6,559	6,370
Denominator (Millions of euros)	+ Average shareholder's funds	64,979	61,517	59,721
	+ Average accumulated other comprehensive income	(16,572)	(16,055)	(15,197)
	= Adjusted ROE	16.2 %	14.4 %	14.3 %

ROTE

The ROTE (return on tangible equity) ratio measures the accounting return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: the numerator "Net attributable profit (loss)" and the items in the denominator "Average intangible assets" and "Average accumulated other comprehensive income" are the same items and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the Group's consolidated balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders funds in ROE.

Relevance of its use: this metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	= Annualized net attributable profit (loss)	7,820	6,358	6,169
Denominator (Millions of euros)	+ Average shareholder's funds	64,979	61,517	59,721
	+ Average accumulated other comprehensive income	(16,572)	(16,055)	(15,197)
	- Average intangible assets	2,201	2,119	2,067
	= ROTE	16.9 %	14.7 %	14.5 %

Adjusted ROTE

The adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Adjusted net attributable profit (loss)}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: the numerator "Adjusted net attributable profit (loss)" is the same and is calculated in the same way as explained for adjusted ROE, and the items of the denominator "Average shareholders' funds" and "Average accumulated other comprehensive income" are the same and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the Group's consolidated balance sheet, which include goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in the ROE.

Relevance of its use: this metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	= Annualized adjusted net attributable profit (loss)	7,820	6,559	6,370
Denominator (Millions of euros)	+ Average shareholder's funds	64,979	61,517	59,721
	+ Average accumulated other comprehensive income	(16,572)	(16,055)	(15,197)
	- Average intangible assets	2,201	2,119	2,067
= Adjusted ROTE		16.9 %	15.1 %	15.0 %

ROA

The ROA (return on assets) ratio measures the accounting return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Profit (loss) for the period}}{\text{Average total assets}}$$

Explanation of the formula: the numerator is the profit (loss) for the period of the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized.

Average total assets are taken from the Group's consolidated balance sheet. The average balance is calculated as explained for average shareholders' funds in the ROE.

Relevance of its use: this ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	Annualized profit (loss) for the period	8,357	6,763	6,404
Denominator (Millions of euros)	Average total assets	736,478	701,093	676,404
= ROA		1.13 %	0.96 %	0.95 %

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Adjusted profit (loss) for the period}}{\text{Average total assets}}$$

Explanation of the formula: the numerator is the adjusted profit (loss) for the period previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average total assets are taken from the Group's consolidated balance sheet. The average balance is calculated in the same way as explained for average equity in the ROE.

Relevance of its use: this ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	Annualized adjusted profit (loss) for the period	8,357	6,965	6,605
Denominator (Millions of euros)	Average total assets	736,478	701,093	676,404
= Adjusted ROA		1.13 %	0.99 %	0.98 %

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Profit (loss) for the period}}{\text{Average risk-weighted assets}}$$

Explanation of the formula: the numerator "Profit (loss) for the period" is the same and is calculated in the same way as explained for ROA.

Average risk-weighted assets (RWA) are the moving weighted average of the RWA at the end of each month of the period under analysis.

Relevance of its use: this ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	Annualized profit (loss) for the period	8,357	6,763	6,404
Denominator (Millions of euros)	Average RWA	347,895	327,998	319,207
= RORWA		2.40 %	2.06 %	2.01 %

Adjusted RORWA

The adjusted RORWA (return on risk-weighted assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Adjusted profit (loss) for the period}}{\text{Average risk-weighted assets}}$$

Explanation of the formula: the numerator "Adjusted profit (loss) for the period" is the same and is calculated in the same way as explained for adjusted ROA.

Average risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: this ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	Annualized adjusted profit (loss) for the period	8,357	6,965	6,605
Denominator (Millions of euros)	Average RWA	347,895	327,998	319,207
= Adjusted RORWA		2.40 %	2.12 %	2.07 %

Earning (loss) per share

The earning (loss) per share is calculated in accordance to the criteria established in the IAS 33 "Earnings per share".

Earning (loss) per share		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
(Millions of euros)	+ Net attributable profit (loss)	3,878	6,358	2,957
(Millions of euros)	- Remuneration related to the Additional Tier 1 securities (CoCos)	148	313	162
Numerator (millions of euros)	= Net attributable profit (loss) ex.CoCos remuneration	3,730	6,045	2,795
Denominator (millions)	+ Average number of shares issued	6,020	6,424	6,645
	- Average treasury shares of the period	6	9	11
	- Share buyback program (average)	21	225	296
= Earning (loss) per share (euros)		0.62	0.98	0.44

Additionally, for management purposes, earning (loss) per share is presented excluding non-recurring impacts. Specifically, for 2022 periods, the net impact from the purchase of offices in Spain in the second quarter of 2022 is excluded.

Adjusted earning (loss) per share		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
(Millions of euros)	+ Net attributable profit (loss) ex. CoCos remuneration	3,730	6,045	2,795
(Millions of euros)	- Net impact arisen from the purchase of offices in Spain	—	(201)	(201)
Numerator (millions of euros)	= Net Attributable profit (loss) ex.CoCos and non-recurring impacts	3,730	6,246	2,997
Denominator (millions)	+ Number of shares issued ⁽¹⁾	5,965	6,030	6,030
	- Average treasury shares of the period	6	9	11
= Adjusted earning (loss) per share (euros)		0.63	1.04	0.50

(1) In the period January-June 2022, the number of shares issued takes into account the total redemption of the first share buyback program.

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: both "Operating expenses" and "Gross income" are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, other operating income and expenses, and income from assets and expenses from liabilities under insurance and reinsurance contracts. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: this ratio is generally used in the banking sector. In addition, it is the metric for one of the six Strategic Priorities of the Group.

Efficiency ratio		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	+ Operating expenses	5,938	10,701	5,024
Denominator (Millions of euros)	+ Gross income	14,148	24,743	11,417
= Efficiency ratio		42.0 %	43.2 %	44.0 %

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: the remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: this ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield		30-06-23	31-12-22	30-06-22
Numerator (Euros)	Σ Dividends	0.43	0.35	0.31
Denominator (Euros)	Closing price	7.03	5.63	4.33
= Dividend yield		6.1 %	6.2 %	7.2 %

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: the figures for both "Shareholders' funds" and "Accumulated other comprehensive income" are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group's results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares) and excluding the shares corresponding to share buyback programs. In addition, the denominator is also adjusted to include the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: it shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share		30-06-23	31-12-22	30-06-22
Numerator (Millions of euros)	+ Shareholders' funds	65,970	64,535	62,026
	+ Accumulated other comprehensive income	(16,919)	(17,642)	(16,617)
Denominator (Millions of shares)	+ Number of shares issued	5,965	6,030	6,387
	- Treasury shares	3	5	10
	- Share buyback program ⁽¹⁾	—	—	357
= Book value per share (euros / share)		8.23	7.78	7.54

(1) At the close of June 2022, the shares acquired from the start of the share buyback program to June 30, 2022 are included, taking into account the redemption of shares made and the shares pending from buyback corresponding to the second segment of the second share buyback tranche of the first share buyback program.

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: the figures for "Shareholders' funds", "Accumulated other comprehensive income" and "Intangible assets" are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "Dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group's results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares) and excluding the shares corresponding to share buyback programs. In addition, the denominator is also adjusted to include the result of the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: it shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share		30-06-23	31-12-22	30-06-22
Numerator (Millions of euros)	+ Shareholders' funds	65,970	64,535	62,026
	+ Accumulated other comprehensive income	(16,919)	(17,642)	(16,617)
	- Intangible assets	2,284	2,156	2,139
Denominator (Millions of shares)	+ Number of shares issued	5,965	6,030	6,387
	- Treasury shares	3	5	10
	- Share buyback program ⁽¹⁾	—	—	357
= Tangible book value per share (euros / share)		7.84	7.43	7.19

(1) At the close of June 2022, the shares acquired from the start of the share buyback program to June 30, 2022 are included, taking into account the redemption of shares made and the shares pending from buyback corresponding to the second segment of the second share buyback tranche of the first share buyback program.

Non-performing loan (NPL) ratio

It is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance. It is calculated as follows:

$$\frac{\text{Non-performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: non-performing loans and the credit risk balance are gross, meaning they are not adjusted by associated accounting provisions.

Non-performing loans are calculated as the sum of "loans and advances at amortized cost" and the "contingent risk" in stage 3¹² and the following counterparties:

- other financial entities
- public sector
- non-financial institutions
- households

The credit risk balance is calculated as the sum of "Loans and advances at amortized cost" and "Contingent risk" in stage 1 + stage 2 + stage 3 of the previous counterparts.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically, the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio		30-06-23	31-12-22	30-06-22
Numerator (Millions of euros)	NPLs	14,691	14,463	15,501
Denominator (Millions of euros)	Credit Risk	436,174	423,669	413,638
= Non-Performing Loans (NPLs) ratio		3.4 %	3.4 %	3.7 %

General note: credit risk figures for 2022 periods have been restated according to IFRS17 - Insurance contracts.

¹² IFRS 9 classifies financial instruments into three stages, which depend on the evolution of their credit risk from the moment of initial recognition. The stage 1 includes operations when they are initially recognized, stage 2 comprises operations for which a significant increase in credit risk has been identified since their initial recognition and, stage 3, impaired operations.

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via allowances. It is calculated as follows:

$$\frac{\text{Provisions}}{\text{Non-performing loans}}$$

Explanation of the formula: it is calculated as "Provisions" from stage 1 + stage 2 + stage 3, divided by non-performing loans, formed by "credit risk" from stage 3.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via value adjustments.

NPL coverage ratio		30-06-23	31-12-22	30-06-22
Numerator (Millions of euros)	Provisions	11,697	11,764	12,159
Denominator (Millions of euros)	NPLs	14,691	14,463	15,501
= NPL coverage ratio		80 %	81 %	78 %

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Loan-loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: "Loans to customers (gross)" refers to the "Loans and advances at amortized cost" portfolios with the following counterparts:

- other financial entities
- public sector
- non-financial institutions
- households, excluding central banks and other credit institutions.

Average loans to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month. "Annualized loan-loss provisions" are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis.

Loan-loss provisions refer to the aforementioned loans and advances at amortized cost portfolios.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk		Jan.-Jun.2023	Jan.-Dec.2022	Jan.-Jun.2022
Numerator (Millions of euros)	Annualized loan-loss provisions	3,880	3,252	2,788
Denominator (Millions of euros)	Average loans to customers (gross)	373,180	356,064	345,484
= Cost of risk		1.04 %	0.91 %	0.81 %

General note: average loans to customers (gross) figures for 2022 periods have been restated according to IFRS17 - Insurance contracts.

Main risks and uncertainties

At the date of formulation of this management report, the main risks and uncertainties to which BBVA Group is exposed are described in Section 6.1 "Risk factors" Note 6 of the attached Condensed Interim Consolidated Financial Statements corresponding to the first half of the financial year 2023.

Subsequent events

On July 21, 2023, and once the prior consent from the Regulator has been obtained, BBVA hereby announced its irrevocable decision to early redeem on September 24, 2023 the issuance of preferred securities contingently convertible into ordinary shares of BBVA, carried out by BBVA on September 24, 2018 for a total amount of € 1,000 million.

BBVA requested on July 27, 2023 to the European Central Bank the correspondent supervisory authorization in order to carry out a buyback program of BBVA shares up to €1,000 million. Its execution, if the authorization requested is finally granted, would be subject to the adoption of the correspondent corporate resolutions and to the communication of the specific terms and conditions of the share buyback program before its execution. This share buyback program would be considered to be an extraordinary shareholder distribution and is therefore not included in the scope of the ordinary distribution policy.

From July 1, 2023 to the date of preparation of these Consolidated Financial Statements, no other subsequent event requiring disclosure in these Consolidated Financial Statements has taken place that significantly affect the Group's earnings or its consolidated equity position.