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Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report as of and for the three months ended March 31, 2023

BBVA Group

Report on Limited Review

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
AND SUBSIDIARIES
Condensed Interim Consolidated Financial Statements and
Interim Consolidated Management Report
for the three months ended March 31, 2023

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REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

To the shareholders of Banco Bilbao Vizcaya Argentaria, S.A. at the request of its Board of Directors:

Report on the condensed interim consolidated financial statements

Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank") and subsidiaries which, along with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (the "Group"), which comprise the condensed consolidated balance sheet as of March 31, 2023, the condensed consolidated income statement, the condensed consolidated statement of recognized income and expenses, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the notes to the accompanying condensed interim consolidated financial statements corresponding to the three-month period then ended. Pursuant to article 12 of Royal Decree 1362/2007, the Directors are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union. Our responsibility is to express a conclusion on said interim financial statements based on our limited review.

Scope of the review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing audit regulations in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances should be considered an audit of financial statements, nothing came to our attention that would lead us to conclude that the accompanying interim financial statements for the three-month period ended as of March 31, 2023 are not prepared, in all material respects, in conformity with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of matter

We draw attention to the matter described in accompanying explanatory note 1, which indicates that these interim financial statements do not include all the information that would be required for complete financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated annual accounts for the year ended December 31, 2022. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated management report for the three-month period ended March 31, 2023 contains such explanations as the Directors of the Bank consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim consolidated management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with the interim financial statements for the three-month period ended March 31, 2023. Our work is limited to the verification of the interim consolidated management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries.

Paragraph on other matters

This report has been prepared at the request of the Bank's Board of Directors in relation to the publication of the quarterly financial report voluntarily prepared by the Directors of the Bank.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

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José Carlos Hernández Barrasús

April 27, 2023

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

ASSETS (Millions of Euros)	Notes	March 2023	December 2022 (1)
Cash, cash balances at central banks and other demand deposits	8	83,267	79,756
Financial assets held for trading	9	119,877	110,671
Non-trading financial assets mandatorily at fair value through profit or loss	10	7,227	6,888
Financial assets designated at fair value through profit or loss	11	997	913
Financial assets at fair value through other comprehensive income	12	66,277	65,374
Financial assets at amortized cost	13	427,259	414,421
Derivatives - hedge accounting		1,499	1,891
Fair value changes of the hedged items in portfolio hedges of interest rate risk		(137)	(148)
Joint ventures and associates	14	920	916
Insurance and reinsurance assets	21	193	183
Tangible assets	15	8,945	8,737
Intangible assets	16	2,209	2,156
Tax assets	17	16,860	16,725
Other assets	18	3,174	2,586
Non-current assets and disposal groups classified as held for sale	19	997	1,022
TOTAL ASSETS		**739,564**	**712,092**

LIABILITIES AND EQUITY (Millions of Euros)	Notes	March 2023	December 2022 (1)
Financial liabilities held for trading	9	107,185	95,611
Financial liabilities designated at fair value through profit or loss	11	11,309	10,580
Financial liabilities at amortized cost	20	542,326	529,172
Derivatives - hedge accounting		3,406	3,303
Liabilities under insurance and reinsurance contracts	21	11,010	10,131
Provisions	22	4,697	4,933
Tax liabilities	17	3,275	2,935
Other liabilities	18	4,885	4,909
Liabilities included in disposal groups classified as held for sale	19	—	—
TOTAL LIABILITIES		**688,093**	**661,575**
SHAREHOLDERS' FUNDS		**63,986**	**64,535**
Capital	24	2,955	2,955
Share premium		20,856	20,856
Other equity		66	63
Retained earnings	25	36,417	32,711
Other reserves	25	2,110	2,345
Less: Treasury shares		(264)	(29)
Profit or loss attributable to owners of the parent		1,846	6,358
Less: Interim dividends		—	(722)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**26**	**(16,195)**	**(17,642)**
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**27**	**3,680**	**3,623**
TOTAL EQUITY		**51,471**	**50,517**
TOTAL EQUITY AND TOTAL LIABILITIES		**739,564**	**712,092**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)	Notes	March 2023	December 2022 (1)
Loan commitments given	28	151,479	136,920
Financial guarantees given	28	16,950	16,511
Other commitments given	28	38,873	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 three months ended March 31, 2023.

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Condensed consolidated income statements for the three months ended March 31, 2023 and 2022

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Notes	March 2023	March 2022 [1]
Interest and other income	29.1	10,569	5,969
Financial assets at fair value through other comprehensive income		*841*	*503*
Financial assets at amortized cost		*8,245*	*4,740*
Other interest income		*1,483*	*726*
Interest expense	29.2	(4,927)	(2,026)
NET INTEREST INCOME		**5,642**	**3,943**
Dividend income	30	4	4
Share of profit or loss of entities accounted for using the equity method		6	5
Fee and commission income	31	2,252	1,867
Fee and commission expense	31	(813)	(621)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	32	23	34
Gains (losses) on financial assets and liabilities held for trading, net	32	330	171
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	32	40	65
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	32	66	114
Gains (losses) from hedge accounting, net	32	1	(18)
Exchange differences, net	32	(22)	213
Other operating income	33	209	159
Other operating expense	33	(1,076)	(783)
Income from insurance and reinsurance contracts	34	745	619
Expense from insurance and reinsurance contracts	34	(450)	(378)
GROSS INCOME		**6,958**	**5,395**
Administration costs	35	(2,678)	(2,093)
Depreciation and amortization	36	(339)	(313)
Provisions or reversal of provisions	37	(14)	(48)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	38	(968)	(737)
NET OPERATING INCOME		**2,960**	**2,204**
Impairment or reversal of impairment of investments in joint ventures and associates		—	—
Impairment or reversal of impairment on non-financial assets	39	(27)	9
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		4	1
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	40	7	10
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,944**	**2,225**
Tax expense or income related to profit or loss from continuing operations		(950)	(903)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**1,994**	**1,321**
Profit (loss) after tax from discontinued operations	19	—	—
PROFIT (LOSS)		**1,994**	**1,321**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**27**	**148**	**(3)**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,846**	**1,325**

	March 2023	March 2022 [1]
EARNINGS (LOSSES) PER SHARE (Euros)	**0.29**	**0.19**
Basic earnings (losses) per share from continuing operations	0.29	0.19
Diluted earnings (losses) per share from continuing operations	0.29	0.19
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 three months ended March 31, 2023.

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Condensed consolidated statements of recognized income and expense for the three months ended March 31, 2023 and 2022

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	March 2023	March 2022 [1]
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	**1,994**	**1,321**
OTHER RECOGNIZED INCOME (EXPENSE)	**1,486**	**1,374**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**153**	**152**
Actuarial gains (losses) from defined benefit pension plans	(41)	(17)
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	198	154
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	(13)	12
Income tax related to items not subject to reclassification to income statement	9	2
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**1,333**	**1,223**
Hedge of net investments in foreign operations (effective portion)	**(454)**	**(331)**
Valuation gains (losses) taken to equity	(454)	(331)
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	**1,609**	**2,059**
Translation gains (losses) taken to equity	1,609	2,059
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges (effective portion)	**57**	**(573)**
Valuation gains (losses) taken to equity	62	(574)
Transferred to profit or loss	(5)	1
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Debt securities at fair value through other comprehensive income	**194**	**(184)**
Valuation gains (losses) taken to equity	215	(142)
Transferred to profit or loss	(20)	(42)
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	**3**	**1**
Income tax relating to items subject to reclassification to income statements	**(76)**	**250**
TOTAL RECOGNIZED INCOME (EXPENSE)	**3,480**	**2,696**
Attributable to minority interest (non-controlling interests)	**194**	**681**
ATTRIBUTABLE TO THE PARENT COMPANY	**3,286**	**2,014**

(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 three months ended March 31, 2023.

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Condensed consolidated statements of changes in equity for the three months ended March 31, 2023 and 2022

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

March 2023	Capital (Note 24)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves	Other reserves (Note 25)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividend (Note 4)	Accumulated other comprehensive income (Note 26)	Non-controlling interest: Accumulated other comprehensive income (Note 27)	Non-controlling interest: Other (Note 27)	Total
Balances as of January 1, 2023 [(1)]	**2,955**	**20,856**	**—**	**63**	**32,536**	**—**	**2,345**	**(29)**	**6,420**	**(722)**	**(17,432)**	**(3,112)**	**6,736**	**50,615**
Effect of changes in accounting policies (Note 1.3)	**—**	**—**	**—**	**—**	**175**	**—**	**—**	**—**	**(62)**	**—**	**(210)**	**4**	**(4)**	**(98)**
Adjusted initial balance	**2,955**	**20,856**	**—**	**63**	**32,711**	**—**	**2,345**	**(29)**	**6,358**	**(722)**	**(17,642)**	**(3,109)**	**6,732**	**50,517**
Total income (expense) recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,846**	**—**	**1,440**	**46**	**148**	**3,480**
Other changes in equity	**—**	**—**	**—**	**4**	**3,706**	**—**	**(235)**	**(235)**	**(6,358)**	**722**	**7**	**—**	**(137)**	**(2,526)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution (shareholder remuneration)	—	—	—	—	(1,857)	—	—	—	—	—	—	—	(135)	(1,992)
Purchase of treasury shares	—	—	—	—	—	—	—	(580)	—	—	—	—	—	(580)
Sale or cancellation of treasury shares	—	—	—	—	—	—	—	345	—	—	—	—	—	345
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	5,636	—	(7)	—	(6,358)	722	7	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(1)	—	—	—	—	—	—	—	—	—	(1)
Other increases or (-) decreases in equity	—	—	—	4	(74)	—	(228)	—	—	—	—	—	(1)	(299)
Balances as of March 31, 2023	**2,955**	**20,856**	**—**	**66**	**36,417**	**—**	**2,110**	**(264)**	**1,846**	**—**	**(16,195)**	**(3,063)**	**6,743**	**51,471**

(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 three months ended March 31, 2023.

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Condensed consolidated statements of changes in equity for the three months ended March 31, 2023 and 2022

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

												Non-controlling interest		
March 2022 [1]	**Capital (Note 24)**	**Share Premium**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings (Note 25)**	**Revaluation reserves**	**Other reserves (Note 25)**	**Treasury shares**	**Profit or loss attributable to owners of the parent**	**Interim dividend (Note 4)**	**Accumulated other comprehensive income (Note 26)**	**Accumulated other comprehensive income (Note 27)**	**Other (Note 27)**	**Total**
Balances as of January 1, 2022 [2]	**3,267**	**23,599**	**—**	**60**	**31,841**	**—**	**(1,857)**	**(647)**	**4,653**	**(532)**	**(16,476)**	**(8,414)**	**13,267**	**48,760**
Effect of changes in accounting policies (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	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,325**	**—**	**690**	**685**	**(3)**	**2,696**
Other changes in equity	**—**	**—**	**—**	**(15)**	**715**	**—**	**(35)**	**(985)**	**(4,653)**	**532**	**1,863**	**1,621**	**(1,641)**	**(2,596)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution (shareholder remuneration)	—	—	—	—	(1,464)	—	—	—	—	—	—	—	(162)	(1,625)
Purchase of treasury shares	—	—	—	—	—	—	—	(1,162)	—	—	—	—	—	(1,162)
Sale or cancellation of treasury shares	—	—	—	—	—	—	10	177	—	—	—	—	—	187
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity (3)	—	—	—	—	2,270	—	(13)	—	(4,653)	532	1,863	1,621	(1,621)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity (3)	—	—	—	7	(91)	—	(32)	—	—	—	—	—	142	26
Balances as of March 31, 2022	**3,267**	**23,599**	**—**	**45**	**32,734**	**—**	**(1,892)**	**(1,632)**	**1,325**	**—**	**(14,109)**	**(6,107)**	**11,617**	**48,847**

(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 within equity" and "Other increases or decreases in equity" include the effects of the application of IAS 29 in the subsidiaries in Turkey (see Note 1.3) 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 three months ended March 31, 2023.

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Condensed consolidated statements of cash flows for the three months ended March 31, 2023 and 2022

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Euros)	March 2023	March 2022 (1)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**3,712**	**3,563**
Of which hyperinflation effect from operating activities	565	593
Profit for the period	**1,994**	**1,322**
Adjustments to obtain the cash flow from operating activities	**2,895**	**2,424**
Depreciation and amortization	339	306
Other adjustments	2,556	2,119
Net increase/decrease in operating assets/liabilities	**(467)**	**164**
Financial assets/liabilities held for trading	2,646	6,399
Non-trading financial assets mandatorily at fair value through profit or loss	(28)	(337)
Other financial assets/liabilities designated at fair value through profit or loss	283	(142)
Available-for-sale financial assets	(46)	(4,266)
Loans and receivables / Financial liabilities at amortized cost	(2,650)	(1,479)
Other operating assets/liabilities	(671)	(10)
Collection/Payments for income tax	**(710)**	**(347)**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**(354)**	**3**
Of which hyperinflation effect from investing activities	225	258
Tangible assets	(266)	61
Intangible assets	(132)	(111)
Investments in joint ventures and associates	3	—
Subsidiaries and other business units	—	—
Non-current assets/liabilities held for sale	41	54
Other settlements/collections related to investing activities	—	—
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(448)**	**(1,346)**
Of which hyperinflation effect from financing activities	—	—
Dividends	—	—
Subordinated liabilities	(114)	(80)
Common stock amortization/increase	—	—
Treasury stock acquisition/disposal	(234)	(982)
Other items relating to financing activities	(100)	(284)
EFFECT OF EXCHANGE RATE CHANGES (4)	**601**	**918**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**3,512**	**3,137**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**79,756**	**67,799**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**83,267**	**70,937**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE PERIOD (Millions of Euros)	Notes	March 2023	March 2022 (1)
Cash on hand	8	6,464	8,318
Cash balances at central banks	8	71,445	54,929
Other demand deposits	8	5,359	7,689
Less: Bank overdraft refundable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**8**	**83,267**	**70,937**

(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 three months ended March 31, 2023.

Notes to the condensed interim consolidated financial statements as of and for the three months ended March 31, 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 three-month period ended March 31, 2023 are presented in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (hereinafter "IAS 34") and have been approved by the Board of Directors at its meeting held on April 26, 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 March 31, 2023, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the three months ended March 31, 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.

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 March 31, 2022, is presented for the purpose of comparison with the information for March 31, 2023.

IAS 29 "Financial Information in Hyperinflationary Economies" in Turkey

Since the first half of 2022, the Turkish economy is considered hyperinflationary, resulting in the Group having applied hyperinflation accounting in accordance with IAS 29, "Financial Information in Hyperinflationary Economies" to the financial statements of the BBVA Group entities located in Turkey , with effect from January 1, 2022, therefore the information corresponding to the three months ended March 31 2022 has been adjusted, with a negative impact on the net attributable profit of the BBVA Group of €-324 million. This impact in the consolidated income statement included mainly the loss of the net monetary position, which amounted to an amount of €-438 million, partially offset by the positive impact of the revaluation of certain bonds linked to inflation, for an amount of €130 million, given that, under IAS 29, these types of bonds are considered protective assets, and other effects amounting to €-16 million (see Appendix II).

IFRS 17 "Insurance Contracts"

As of January 1, 2023, IFRS 17 "Insurance Contracts" replaces 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 referring to December 31, 2022 and March 31, 2022 has been restated (see Note 2.1 and Appendix II).

1.4. 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, 11, 12, 13 and 14).
- The assumptions used to quantify certain provisions (see Notes 21 and 22) and for the actuarial calculation of post-employment benefit liabilities and other commitments (see Note 23).
- The useful life and impairment losses of tangible and intangible assets (see Notes 15, 16 and 19).
- The valuation of goodwill and price allocation of business combinations (see Note 16).
- 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 17).

The great uncertainty associated to the geopolitical strains (see Note 6.1) entails a greater complexity of developing reliable estimations and applying judgment. Therefore, these estimates have been made on the basis of the best available information on the matters analyzed, as of March 31, 2023. However, it is possible that events may take place in the future 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 three-month period ended on March 31, 2023 there have been no significant changes in the estimates made at the end of the 2022 financial year, other than those indicated in these Consolidated Financial Statements.

1.5. Related party transactions

The information related to these transactions is presented in Note 53 of the consolidated financial statements of the Group for the year ended December 31, 2022.

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the regular course of their business. None of these transactions are considered significant and the transactions are carried out under normal market conditions.

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 amended thereafter, and following other regulatory requirements of financial information applicable to it).

Appendix I shows the condensed interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of and for the three months ended March 31, 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 Note 2 of the consolidated financial statements of the Group for the year ended December 31, 2022 due to the entry into force of new standards and interpretations in the year 2023.

2.1. Standards and interpretations that became effective in the first three months of 2022

Entry into force of IFRS 17 – Insurance contracts

IFRS 17 supersedes IFRS 4 for the recognition, measurement, presentation and disclosure of insurance contracts. The initial application date of IFRS 17 is January 1, 2023 and the transition date was January 1, 2022, when it was recorded in the Group's equity on that date the differences arising from the valuation between both standards.

IFRS 17 introduces 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 been working in recent years to harmonize criteria within the Group, adapting information and calculation systems, accounting processes and internal control.

Moreover, the Group has developed an accounting policy on insurance contracts under IFRS 17 that establishes the accounting criteria for the recognition of insurance contracts carried out by Group companies, and an Operational Guide to govern the calculation process, which ensures adequate control in the preparation of the aforementioned financial information.

This note includes the most relevant judgments and estimates established and accounting policy options.

Grouping and classification

BBVA Group groups insurance contracts through the sequential application of the aggregation levels established in the standard of: portfolio[1], cohort and onerousness. The cohort has been defined as the calendar year, i.e., each cohort will include contracts issued between January 1 and December 31 of each year. In general, provision has been made for the use of two onerousness groups (onerous and non-onerous contracts, with no significant possibility of becoming onerous), although with the possibility of defining three or more onerousness groups.

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 has not accepted the exception provided for in the adoption of the standard by the European Union on annual cohorts in products with matched cash flows.

The Group has applied the analysis on the separation of non-insurance components, only to insurance contracts under the scope of IFRS 17, identifying the entities the non-insurance components, and concluding, based on expert judgment, the need to separate them or not. A specific treatment has been applied to investment components, even if they are not separable.

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 initial recognition date has been established to be the earliest between: the beginning of the coverage period of the group of contracts, the expiration of the first payment of an insurance policyholder in the group, or in the case of a group of onerous contracts, when the group becomes onerous. As of that date, the insurance and reinsurance contracts have been reflected in the financial statements and valued in accordance with the provisions of IFRS 17.

The Group derecognizes insurance contracts when: the contract expires, that is, before the expiration of the contract or before the liquidation of all the benefits of the contract or before its cancellation; or when a modification is made in the terms of the contract that gives rise to derecognition.

Valuation methods

Regarding the valuation model, as mentioned above, the new standard contemplates several methods, being the General Model the method that is applied by default for the valuation of insurance contracts, unless the conditions are given to apply any of the two other methods: the Simplified Model or the Variable Fee Approach.

[1] Contracts subject to similar risks and jointly managed.

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 with future cash flows, 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 method comprises the liability for remaining coverage, which includes the aforementioned fulfillment cash flows and margin, and the liability for incurred claims.

The BBVA Group has defined and identified for each group of contracts the hedging units to be used for the release to profit or loss of the contractual service margin, in accordance with IFRS 17, and subsequent interpretations issued by the Transition Resource Group for IFRS 17 and the IFRIC. The adjustments made to the margin in the subsequent measurement are those established in paragraph 44 of IFRS 17.

Furthermore, in the application of IFRS 17, the accounting policy option of not changing the treatment of accounting estimates made in previous interim closings has been chosen.

The Simplified or Premium Allocation Approach is used 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. By default, the Group has opted to defer acquisition costs, although there is an option to recognize such costs as they are incurred. Under this method, 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.

The groups of contracts valued under this Simplified Method also have a liability for incurred claims, which is valued including all future cash flows from the fulfillment of claims that have occurred but have not been paid, discounted to reflect the value of money, the financial risk associated with future cash flows, and a risk adjustment for non-financial risk that would represent the required compensation for the uncertainty associated with the amount and timing of the expected cash flows.

With the implementation of IFRS 17, the valuation of insurance contracts is based on a model that uses updated assumptions at each reporting period.

Of the liabilities under insurance contracts held as of January 1, 2023, approximately 92% corresponded to long-term commitments, which have been valued using the General Model, while the remaining 8% are comprised of contracts considered to be short-term, which have been valued using the Simplified Model, as well as reinsurance issued. As of that date, 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 contracts valued under the General Model have been classified into the corresponding onerous groups at the time of initial recognition, considering the valuation of the fulfillment flows, as well as previously acquisition expenses capitalized that are attributable to them and any other recognized attributable cash flow prior to that moment of initial recognition. The evaluation is carried out, initially, contract by contract, except in those cases in which it has been decided to group them into sets of homogeneous contracts as permitted by IFRS 17.

In the case of contracts valued by the Simplified Method, by default it is assumed that they are not onerous at their initial recognition, unless there are facts and circumstances that indicate otherwise. To determine the facts and circumstances, the Group relies on information from existing internal reports (ratios and indicators) for monitoring business performance, adjusted to the criteria of IFRS 17, as well as expectations of market evolution based on expert judgment. The granularity to carry out this evaluation may be the same as that used for monitoring the business through the internal reports above mentioned.

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.

Reinsurance

The reinsurance issued has been considered apt to be valued by the Simplified Method, valuing the remaining coverage asset of the 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 a material valuation other than that of the General Model is given. This method also includes the assets for incurred claims.

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 and its changes as well as the effect of financial risk and its changes, 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 avoid 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.

The insurance revenue and the insurance service expenses exclude any investment component.

The loss component corresponds to the losses attributable to each group of contracts, both at initial recognition and those that become loss-making at a later date.

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 and the present value of the fulfillment cash flows. 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.

The impact in transition comes mainly from the "interest rate effect", resulting from the valuation of long-term insurance liabilities by the difference between the locked-in rate and the current rate, as the Group has chosen the option to disaggregate the financial income or expenses from insurance contracts between the "Net interest income" and "Accumulated other comprehensive income (loss)". This effect is partly offset by the associated financial assets recorded at fair value through other comprehensive income in order to mitigate accounting asymmetries. Another part of the impact in transition comes from the different actuarial hypotheses used with respect to the calculations under IFRS 4, including its additional components. The impact of "onerous" products has been estimated to be residual.

On the other hand, contracts valued by the Premium Allocation Approach in transition have been estimated following the full retrospective approach, and as this is the method that is most similar to IFRS 4, there are no significant differences in their accounting recognition compared with the previous situation, nor a significant impact on equity in the first application.

Lastly, the contracts valued by the Variable Fee Approach in the Group represent a residual amount.

First application

The equity impact of first-time application of IFRS 17 as of January 1, 2023 on BBVA Group includes the impact in transition mentioned above, and the financial information from January 1, 2022 to December 31, 2022 already restated under IFRS 17. During 2022, a generalized neutral effect has been observed in the results compared to those expressed under IFRS 4 with those restated under IFRS 17, except in specific cases, which has affected first-time application provisions. On the other hand, the evolution of interest rates during 2022 has included in accumulated other comprehensive income (loss) the net effect of both the evolution of the liability portfolio and the associated assets.

Consequently, based on the analysis carried out up to the date of approval of these Consolidated Financial Statements, it has been estimated that the differences in accumulated other comprehensive income (loss) and retained earnings mainly come from long-term contracts, and that the impact equity recognized at the date of entry into force of IFRS 17 is not significant for the consolidated financial statements of the BBVA Group (see Appendix II).

Redesignation of financial assets

On the initial application date of IFRS 17, those entities that were already applying IFRS 9, such as the BBVA Group, may reassess whether a qualifying financial asset meets the condition to be maintained within a business model whose objective is to hold financial assets to collect contractual cash flows, or whose objective is achieved by collecting contractual cash flows and selling assets. A financial asset will only qualify if the asset is held in respect of an activity related to contracts that are within the scope of IFRS 17.

Based on this option allowed by the standard, the Group has redesignated as of January 1, 2022, financial assets previously classified in the portfolio of "Financial assets at amortized cost" to "Financial assets at fair value through other comprehensive income", considering that the business model that best suits the business needs of the insurance contracts to which these investments are subject is to obtain the contractual cash flows and sell such financial assets (see Notes 12 and 13 and Appendix II). These financial assets correspond entirely to investments that cover commitments from insurance contracts.

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

In February 2021 the IASB issued amendments to this IAS with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the financial statements. The amendments to IAS 1 require 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 March 31, 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, but are not mandatory as of March 31, 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.

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, South America and Turkey, with an active presence in other areas of Europe, The United States and Asia (see Note 5).

Significant transactions in the first three months of 2023

During the first three 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 shares[2] 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 million[3] 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) is 85.97%.

4. Shareholder remuneration system

The Annual General 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.

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

Share buyback program

On March 17, 2023, after receiving the required authorization from the European Central Bank, BBVA announced 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 of BBVA 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 Other Relevant Information dated April 21, 2023, BBVA announced the completion of the share buyback program upon reaching the maximum monetary amount, having acquired 64,643,559 shares, between March 20 and April 20, 2023, representing, approximately, 1.1% of BBVA's share capital as of said date.

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 March 31, 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.
- 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 accompanying Interim Consolidated Management Report presents the condensed 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 March 31, 2023 do not differ significantly from those included in Note 7 in the consolidated financial statements of the Group for the year ended December 31, 2022.

6.1 Risk factors

The Risk Factors of these Consolidated Financial Statements should be read together with section 7.1 Risk Factors of the consolidated financial statements of the Group as of and for the year ended December 31, 2022. The most significant update of the risk factors mentioned above is presented below:

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 related sanctions imposed 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 the 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, the rise of populism, among others. Growing tensions may lead, among others 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 growing and widespread 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 augmented policy rates over the last year and monetary conditions are likely to remain restrictive for a relatively long period of time. The United States Federal Reserve (FED) and the European Central Bank have raised policy interest rates respectively by 475 and 350 basis points since 2022 and further adjustments are expected in the coming months, taking them up to around 5.25% in the first case and 4.00% in the case of the interest rates for refinancing operations in the Eurozone. Likewise, uncertainty about the future evolution of monetary policy is high, among other factors, due to the volatile dynamics of inflation, the unexpected resilience of demand and the recent turbulence in the banking sector during the month of March 2023.

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 funding costs. Further, 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 its counterparties.

The Group bears, among others, the following general risks with respect to the economic and institutional environment 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 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 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; a 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 said debt; and episodes of volatility in the markets, which could cause the Group significant losses.

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).

Turkey has, from time to time, experienced volatile political, economic and social conditions. As of the date of the approval of these Consolidated Financial Statements, Turkey is facing an economic crisis characterized by strong depreciation of the Turkish lira, high inflation (the Turkish Statistical Institute (TUIK) established the inflation rate at 12.5%; for the three months ended March 31, 2023; see Note 2.2.19 for information on the impact of the application of IAS 29 of the consolidated financial statements of the Group for the year ended December 31, 2022), a significant trade deficit, depletion of the central bank's foreign reserves and rising external financing costs. The recent earthquakes of February 2023 are expected to deepen Turkey's economic struggles. In addition to the vast human losses, the earthquakes and the government's response thereto are expected to add and mounting to the pressures on the inflation as well as on external and tax balances. Continuing unfavorable economic conditions in Turkey, such as the elevated inflation and devaluation of the Turkish lira, may result in a potential deterioration in the purchasing power and creditworthiness of our clients (both individual and corporate). In addition, the Turkish central bank's repeated interest rate cuts in a context of high inflation 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 regional conflicts (such as in Syria, Armenia/Azerbaijan), and internal political developments, such as the general elections scheduled for May 2023, create uncertainty about the future 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.

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 March 31, 2023 do not differ significantly from those included in Note 7 in the consolidated financial statements of the Group for the year ended December 31, 2022.

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 existing measures in 2022 which remain in force in 2023, related to new government-guaranteed loans in Spain and Peru, are:

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 (for a term of up to 5 years for the new financing (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 lessen access conditions 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.

- 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, on November 23, 2022, the Royal Decree-Law 19/2022, on November 22, was published. It amends the Code of Good Practices, establishes a new Code of Good Practices easing the interest rates hikes on mortgage loans agreements related to primary residences and provides for other structural measures aiming to improve the loan market. 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 very low.

Peru:

- There were public support programs such as *Reactiva, Crecer* or FAE aimed at companies and micro-enterprises with secured amounts ranging from 60% to 98%, depending on the program and the type of company.

- Through a Decree published in May 2022, for loans granted under the *Reactiva* program, both the maturity and grace period of such loans could be extended. The ability to benefit from this measure expires on June 30, 2023, following the extension of the initial period that ended December 31, 2022.

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 March 31, 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 guarantee compliance with payment obligations. The details are broken down by financial instruments:

Maximum credit risk exposure (Millions of Euros)

	Notes	March 2023	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**80,948**			
Equity instruments	9	4,395			
Debt securities	9	28,981			
Loans and advances	9	47,572			
Non-trading financial assets mandatorily at fair value through profit or loss		**7,227**			
Equity instruments	10	6,860			
Debt securities	10	113			
Loans and advances	10	253			
Financial assets designated at fair value through profit or loss	**11**	**997**			
Derivatives (trading and hedging)		**52,583**			
Financial assets at fair value through other comprehensive income		**66,393**			
Equity instruments	12	1,336			
Debt securities		65,031	64,258	752	21
Loans and advances to credit institutions	12	26	26	—	—
Financial assets at amortized cost		**438,562**	**391,762**	**33,553**	**13,247**
Debt securities		42,780	42,528	221	32
Loans and advances to central banks		4,817	4,817	—	—
Loans and advances to credit institutions		17,483	17,462	20	—
Loans and advances to customers		373,481	326,954	33,312	13,215
Total financial assets risk		**646,709**			
Total loan commitments and financial guarantees		**207,302**	**197,596**	**8,610**	**1,096**
Loan commitments given	28	151,479	145,761	5,548	170
Financial guarantees given	28	16,950	15,739	935	275
Other commitments given	28	38,873	36,096	2,126	651
Total maximum credit exposure		**854,011**			

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	28	136,920	130,459	6,283	177
Financial guarantees given	28	16,511	15,214	1,015	281
Other commitments given	28	39,137	35,753	2,695	689
Total maximum credit exposure		**815,533**			

The changes in the three months ended March 31, 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)	March 2023	December 2022
Balance at the beginning	**14,521**	**15,467**
Additions	2,259	8,084
Decreases [(1)]	(1,530)	(5,742)
Net additions	**728**	**2,342**
Amounts written-off	(1,102)	(2,771)
Exchange differences and other	48	(517)
Balance at the end	**14,195**	**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.

Loss allowances

Below are the changes in the three months ended March 31, 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 measured at amortized cost:

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

	March 2023	December 2022
Balance at the beginning of the period	**(11,291)**	**(11,142)**
Increase in loss allowances charged to income	(2,616)	(8,288)
Stage 1	*(488)*	*(1,556)*
Stage 2	*(688)*	*(1,443)*
Stage 3	*(1,440)*	*(5,289)*
Decrease in loss allowances charged to income	1,695	4,891
Stage 1	*507*	*1,342*
Stage 2	*426*	*1,213*
Stage 3	*762*	*2,336*
Transfer to written-off loans, exchange differences and other	1,004	3,248
Closing balance	**(11,208)**	**(11,291)**

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 at the end of the year 2022 of €388 million; without significant variation during the three month period ended March 31, 2023. In addition, due to the earthquake that has 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 has been reviewed, which has led to a reclassification to Stage 2 of approximately €518 million of balances on the balance sheet and €682 million of off-balance sheet balances, as well as a charge to results of approximately €58 million. It is expected that the classification of these balances and provisions evolve during the year based on events in said area, and it is expected that the classification of operations and their coverage needs will be reassessed as greater certainty is obtained.

On the other hand, the complementary adjustments pending allocation to specific operations or customers that are in force as of March 31, 2023 total 219 million euros, of which 92 million euros correspond to BBVA, S.A., 98 million euros to Mexico, 15 million euros to Peru, 10 million euros to Colombia and 4 million euros 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.

7. Fair value of financial instruments

The criteria and valuation methods used to calculate the fair value of financial assets as of March 31, 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 ended December 31, 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 ended December 31, 2022.

Below is the carrying amount of the Group's financial instruments in the condensed consolidated balance sheets and their respective fair values as of March 31, 2023 and December 31, 2022:

Fair value and carrying amount of financial instruments (Millions of Euros)

		March 2023		December 2022	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	8	83,267	83,267	79,756	79,756
Financial assets held for trading	9	119,877	119,877	110,671	110,671
Non-trading financial assets mandatorily at fair value through profit or loss	10	7,227	7,227	6,888	6,888
Financial assets designated at fair value through profit or loss	11	997	997	913	913
Financial assets at fair value through other comprehensive income	12	66,277	66,277	65,374	65,374
Financial assets at amortized cost	13	427,259	424,986	414,421	412,180
Derivatives – Hedge accounting		1,499	1,499	1,891	1,891
LIABILITIES					
Financial liabilities held for trading	9	107,185	107,185	95,611	95,611
Financial liabilities designated at fair value through profit or loss	11	11,309	11,309	10,580	10,580
Financial liabilities at amortized cost	20	542,326	540,127	529,172	525,595
Derivatives – Hedge accounting		3,406	3,406	3,303	3,303

The following table shows the financial instruments in the condensed consolidated balance sheets, broken down by the measurement technique used to determine their fair value as of March 31, 2023 and December 31, 2022:

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

	March 2023			December 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Cash, cash balances at central banks and other demand deposits	**83,008**	**—**	**260**	**79,463**	**—**	**293**
Financial assets held for trading	**27,199**	**90,336**	**2,342**	**22,710**	**85,636**	**2,325**
Derivatives	1,139	37,206	584	795	38,140	974
Equity instruments	4,360	—	35	4,369	—	34
Debt securities	20,566	7,783	632	16,284	7,934	148
Loans and advances	1,134	45,346	1,091	1,262	39,562	1,169
Non-trading financial assets mandatorily at fair value through profit or loss	**6,065**	**154**	**1,008**	**5,720**	**151**	**1,017**
Equity instruments	5,813	41	1,007	5,457	40	1,014
Debt securities	1	113	—	19	111	—
Loans and advances	252	—	1	245	—	3
Financial assets designated at fair value through profit or loss	**997**	**—**	**—**	**913**	**—**	**—**
Debt securities	997	—	—	913	—	—
Financial assets at fair value through other comprehensive income	**54,576**	**11,100**	**602**	**53,248**	**11,537**	**589**
Equity instruments	1,159	65	113	1,040	58	100
Debt securities	53,390	11,035	489	52,182	11,479	489
Loans and advances	26	—	—	26	—	—
Financial assets at amortized cost	**37,511**	**11,425**	**376,049**	**29,585**	**12,171**	**370,423**
Derivatives – Hedge accounting	**—**	**1,499**	**—**	**4**	**1,887**	**—**
LIABILITIES						
Financial liabilities held for trading	**24,855**	**81,459**	**870**	**20,611**	**73,871**	**1,129**
Trading derivatives	786	35,855	699	746	36,161	1,002
Short positions	16,502	2	—	13,354	133	—
Deposits	7,568	45,603	171	6,511	37,577	127
Financial liabilities designated at fair value through profit or loss	**—**	**9,819**	**1,490**	**—**	**8,990**	**1,590**
Customer deposits	—	700	—	—	700	—
Debt certificates issued	—	1,777	1,490	—	1,698	1,590
Other financial liabilities	—	7,342	—	—	6,592	—
Financial liabilities at amortized cost	**66,639**	**285,053**	**188,435**	**77,112**	**266,194**	**182,289**
Derivatives – Hedge accounting	**—**	**3,372**	**34**	**100**	**3,179**	**25**

8. Cash, cash balances at central banks and other demand deposits

Cash, cash balances at central banks and other demand deposits

	March 2023	December 2022
Cash on hand	6,464	6,533
Cash balances at central banks	71,445	67,314
Other demand deposits	5,359	5,909
Total	**83,267**	**79,756**

9. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading (Millions of Euros)	Notes	March 2023	December 2022
ASSETS			
Derivatives		38,929	39,908
Equity instruments	6.2	4,395	4,404
Debt securities	6.2	28,981	24,367
Loans and advances [(1)]	6.2	47,572	41,993
Total assets	**7**	**119,877**	**110,671**
LIABILITIES			
Derivatives		37,339	37,909
Short positions		16,504	13,487
Deposits [(1)]		53,342	44,215
Total liabilities	**7**	**107,185**	**95,611**

(1) The variation in 2023 corresponds mainly to the evolution in BBVA, S.A. of "Reverse repurchase agreement" and "Repurchase agreement".

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)	Notes	March 2023	December 2022
Equity instruments	6.2	6,860	6,511
Debt securities	6.2	113	129
Loans and advances to customers	6.2	253	247
Total	**7**	**7,227**	**6,888**

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)	Notes	March 2023	December 2022
ASSETS			
Debt securities	6.2 / 7	997	913
LIABILITIES			
Customer deposits		700	700
Debt certificates issued		3,267	3,288
Other financial liabilities: Unit-linked products		7,342	6,592
Total liabilities	**7**	**11,309**	**10,580**

12. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (Millions of Euros)	Notes	March 2023	December 2022
Equity instruments	6.2	1,336	1,198
Debt securities [(1)]		64,915	64,150
Loans and advances to credit institutions	6.2	26	26
Total	**7**	**66,277**	**65,374**
Of which: loss allowances of debt securities		*(116)*	*(123)*

(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 II).

13. Financial assets at amortized cost

Financial assets at amortized cost (Millions of Euros)	Notes	March 2023	December 2022
Debt securities [1]		**42,686**	**36,639**
Loans and advances to central banks		**4,798**	**4,401**
Loans and advances to credit institutions		**17,458**	**16,031**
Loans and advances to customers		**362,317**	**357,351**
Government		21,759	20,892
Other financial corporations		11,748	12,765
Non-financial corporations		166,123	165,433
Other		162,688	158,261
Total	**7**	**427,259**	**414,421**
Of which: impaired assets of loans and advances to customers	*6.2*	*13,215*	*13,493*
Of which: loss allowances of loans and advances	*6.2*	*(11,208)*	*(11,291)*
Of which: loss allowances of debt securities		*(94)*	*(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 II).

14. Investments in joint ventures and associates

Joint ventures and associates (Millions of Euros)	March 2023	December 2022
Joint ventures	104	100
Associates	816	816
Total	**920**	**916**

15. Tangible assets

Tangible assets. Breakdown by type (Millions of Euros)	March 2023	December 2022
Property, plant and equipment	**8,647**	**8,441**
For own use	**8,036**	**7,911**
Land and buildings	6,390	6,255
Work in progress	118	93
Furniture, fixtures and vehicles	6,022	5,833
Right to use assets	1,964	1,871
Accumulated depreciation	(6,219)	(5,920)
Impairment	(238)	(220)
Leased out under an operating lease	**611**	**530**
Assets leased out under an operating lease	665	582
Accumulated depreciation	(54)	(52)
Investment property	**299**	**296**
Building rental	244	242
Other	2	2
Right to use assets	227	213
Accumulated depreciation	(102)	(94)
Impairment	(72)	(67)
Total	**8,945**	**8,737**

Purchase of Tree *Inversiones Inmobiliarias* SOCIMI, S.A. (Tree) to 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 19).

The impact of the transaction amounted to €-201 million (losses net of taxes) which have been 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.

16. Intangible assets

Intangible assets (Millions of Euros)	March 2023	December 2022
Goodwill	**746**	**707**
Other intangible assets	**1,463**	**1,449**
Computer software acquisition expense	1,411	1,393
Other intangible assets with an infinite useful life	14	13
Other intangible assets with a definite useful life	39	43
Total	**2,209**	**2,156**

Goodwill

As a result of the application of IAS 29 in 2022, the book value of the Turkish cash-generating unit (hereinafter "CGU") exceeded the existing recoverable value as of December 31, 2021 and as a consequence the goodwill as well as other intangible assets assigned to the Turkish CGU were derecognized. Therefore, as of March 31, 2023 and December 31, 2022, the main amount of goodwill is due to the CGU of Mexico for an amount of €594 and €559 million, respectively.

Impairment Test

As mentioned in Note 2.2.7 of the consolidated financial statements of the Group for the year 2022, the Turkish CGU to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually or whenever there is any indication of impairment. As of and for the three months ended March 31, 2023, no indicators of impairment have been identified in any CGU.

17. Tax assets and liabilities

Tax assets and liabilities (Millions of Euros)	March 2023	December 2022
Tax assets		
Current tax assets	1,672	1,978
Deferred tax assets	15,187	14,747
Total	**16,860**	**16,725**
Tax liabilities		
Current tax liabilities	1,317	1,415
Deferred tax liabilities	1,958	1,520
Total	**3,275**	**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 €950 million in the first quarter of 2023. In the first quarter of 2022 it recorded an expense of €903 million. In the first quarter of 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 March 31, 2023, a corporate income tax expense credit has been generated in the consolidated financial statements of the BBVA Group, amounting to approximately €260 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.

18. Other assets and liabilities

Other assets and liabilities (Millions of Euros)	March 2023	December 2022
ASSETS		
Inventories	371	325
Transactions in progress	113	93
Accruals	1,478	1,461
Other items	1,212	706
Total	**3,174**	**2,586**
LIABILITIES		
Transactions in progress	89	44
Accruals	2,145	2,595
Other items	2,651	2,269
Total	**4,885**	**4,909**

19. Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale

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)

	March 2023	December 2022
ASSETS		
Foreclosures and recoveries	1,037	1,070
Other assets from tangible assets	1,047	1,063
Companies held for sale	40	40
Accrued amortization	(90)	(93)
Impairment losses	(1,038)	(1,057)
Total	**997**	**1,022**
LIABILITIES		
Total	**—**	**—**

20. Financial liabilities at amortized cost

20.1 Breakdown of the balance

Financial liabilities measured at amortized cost (Millions of Euros)

	Notes	March 2023	December 2022
Deposits		470,989	459,662
Deposits from central banks		27,950	38,323
Demand deposits		*974*	*205*
Time deposits and other		*20,288*	*33,534*
Repurchase agreements		*6,688*	*4,584*
Deposits from credit institutions		47,159	26,935
Demand deposits		*10,032*	*11,434*
Time deposits and other		*11,772*	*11,787*
Repurchase agreements		*25,355*	*3,714*
Customer deposits		395,880	394,404
Demand deposits		*308,918*	*316,082*
Time deposits and other		*83,862*	*76,063*
Repurchase agreements		*3,100*	*2,259*
Debt certificates issued		54,586	55,429
Other financial liabilities		16,751	14,081
Total	**7**	**542,326**	**529,172**

The amount recorded in "Deposits from central banks - Time deposits" includes the drawdowns of the TLTRO III facilities of the European Central Bank, mainly BBVA S.A., amounting to €14,711 million for the three months ended March 31, 2023 and €26,711 for the year ended December 31, 2022, after beginning in December 2022 the repayment of the TLTRO III program for an approximate amount of €24,000 million, corresponding to two thirds of the drawdown amount.

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 statements, 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 29.1 and 29.2, respectively).

20.2 Debt certificates issued

Debt certificates (Millions of Euros)	March 2023	December 2022
In Euros	**34,650**	**35,611**
Promissory bills and notes	1,200	1,079
Non-convertible bonds and debentures	16,566	16,979
Covered bonds (1)	6,846	7,665
Hybrid financial instruments (2)	1,227	959
Securitization bonds	2,146	2,501
Wholesale funding	401	139
Subordinated liabilities	6,264	6,289
Convertible perpetual certificates	3,000	3,000
Other non-convertible subordinated liabilities	3,264	3,289
In foreign currencies	**19,937**	**19,819**
Promissory bills and notes	262	351
Non-convertible bonds and debentures	9,317	9,323
Covered bonds (1)	106	114
Hybrid financial instruments (2)	4,108	3,724
Securitization bonds	—	—
Wholesale funding	55	111
Subordinated liabilities	6,088	6,196
Convertible perpetual certificates	1,840	1,876
Other non-convertible subordinated liabilities	4,248	4,320
Total	**54,586**	**55,429**

(1) Including mortgage-covered bonds.
(2) Corresponds to structured note issuances with embedded derivatives that have been segregated according to IFRS 9.

20.3 Other financial liabilities

Other financial liabilities (Millions of Euros)	March 2023	December 2022
Lease liabilities	1,415	1,398
Creditors for other financial liabilities	4,105	3,584
Collection accounts	3,065	3,426
Creditors for other payment obligations (1)	8,166	5,673
Total	**16,751**	**14,081**

(1) This heading includes the amount committed for the acquisition of own shares under the share buyback program (see Note 4).

21. Assets and liabilities under insurance and reinsurance contracts

As of March 31, 2023 and December 31, 2022, the balance under the heading "Insurance and reinsurance assets" in the condensed consolidated balance sheets amounted to €193 million and €183 million, respectively.

The breakdown of the balance in the "Liabilities under insurance and reinsurance contracts" heading of the condensed consolidated balance sheets is:

Liabilities under insurance and reinsurance contracts (Millions of Euros)	March 2023	December 2022
Liabilities for remaining coverage	9,890	9,157
Liabilities for incurred claims	1,119	974
Total	**11,010**	**10,131**

22. Provisions

Provisions. Breakdown by concepts (Millions of Euros)

	March 2023	December 2022
Provisions for pensions and similar obligations	2,467	2,632
Other long term employee benefits	456	466
Provisions for taxes and other legal contingencies	667	685
Commitments and guarantees given	747	770
Other provisions [1]	361	380
Total	**4,697**	**4,933**

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

23. 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 retirements.

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	March 2023	March 2022
Interest income and expense		32	9
Personnel expense		43	30
Defined contribution plan expense	*35.1*	*33*	*22*
Defined benefit plan expense	*35.1*	*10*	*8*
Provisions or reversal of provisions	37	3	1
Total expense (income)		**79**	**39**

24. Capital

As of March 31, 2023 and December 31, 2022, BBVA's share capital amounted to €2,954,757,116.36 divided into 6,030,116,564 shares, at €0.49 par value each, 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.

25. Retained earnings and other reserves

Retained earnings and other reserves (Millions of Euros)

	March 2023	December 2022
Retained earnings	36,417	32,711
Other reserves	2,110	2,345
Total	**38,527**	**35,056**

26. Accumulated other comprehensive income (loss)

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

	March 2023	December 2022
Items that will not be reclassified to profit or loss	**(1,723)**	**(1,881)**
Actuarial gains (losses) on defined benefit pension plans	(788)	(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	(998)	(1,194)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	63	72
Items that may be reclassified to profit or loss	**(14,471)**	**(15,760)**
Hedge of net investments in foreign operations (effective portion)	(1,861)	(1,408)
Mexican peso	*(2,305)*	*(1,751)*
Turkish lira	*457*	*358*
Other exchanges	*(13)*	*(15)*
Foreign currency translation	(11,507)	(13,078)
Mexican peso	*(1,609)*	*(2,791)*
Turkish lira	*(6,207)*	*(6,599)*
Argentine peso	*(888)*	*(868)*
Venezuela Bolívar	*(1,861)*	*(1,850)*
Other exchanges	*(942)*	*(969)*
Hedging derivatives. Cash flow hedges (effective portion)	(408)	(447)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(679)	(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	(16)	(18)
Total	**(16,195)**	**(17,642)**

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

27. Minority interest (non-controlling interest)

Non-controlling interests. Breakdown by subgroups (Millions of Euros)

	March 2023	December 2022
Garanti BBVA	1,287	1,179
BBVA Peru	1,403	1,469
BBVA Argentina	704	687
BBVA Colombia	69	73
BBVA Venezuela	97	95
Other entities	120	119
Total	**3,680**	**3,623**

Profit attributable to non-controlling interests. Breakdown by subgroups (Millions of Euros)

	March 2023	March 2022
Garanti BBVA [(1)]	45	(77)
BBVA Peru	65	58
BBVA Argentina	24	7
BBVA Colombia	(1)	3
BBVA Venezuela	10	(3)
Other entities	4	9
Total	**148**	**(3)**

(1) The balance corresponding to March 2022 has been restated with the implementation of IAS 29 (see Note 1.3). In addition, the variation includes the impact of the VTB on the entire share capital of Turkey Garanti Bankası A.Ş completed on May 18, 2022 (see Note 3).

28. Commitments and guarantees given

Commitments and guarantees given (Millions of Euros)	Notes	March 2023	December 2022
Loan commitments given	6.2	151,479	136,920
Financial guarantees given	6.2	16,950	16,511
Other commitments given	6.2	38,873	39,137
Total	**6.2**	**207,302**	**192,568**

29. Net interest income

29.1 Interest and other income

Interest and other income. Breakdown by origin (Millions of Euros)	March 2023	March 2022
Financial assets held for trading	1,099	343
Financial assets at fair value through other comprehensive income	841	503
Financial assets at amortized cost	8,245	4,740
Insurance activity	252	192
Adjustments of income as a result of hedging transactions	55	(12)
Other income (1)	78	203
Total	**10,569**	**5,969**

(1) The balance includes the interest accrued from TLTRO III operations which amounted to €97 million for the three months ended March 31, 2022 (See Note 20.1).

29.2 Interest expense

Interest expense. Breakdown by origin (Millions of Euros)	March 2023	March 2022
Financial liabilities held for trading	908	264
Financial liabilities designated at fair value through profit or loss	29	10
Financial liabilities at amortized cost	3,684	1,606
Adjustments of expense as a result of hedging transactions	101	(91)
Insurance activity	146	115
Cost attributable to pension funds	19	5
Other expense	41	117
Total	**4,927**	**2,026**

30. Dividend income

Dividend income (Millions of Euros)	March 2023	March 2022
Non-trading financial assets mandatorily at fair value through profit or loss	1	1
Financial assets at fair value through other comprehensive income	4	3
Total	**4**	**4**

31. Fee and commission income and expense

Fee and commission income. Breakdown by origin (Millions of Euros)	March 2023	March 2022
Bills receivables	7	6
Demand accounts	82	111
Credit and debit cards and POS	977	723
Checks	48	36
Transfers and other payment orders	219	183
Insurance product commissions	82	63
Loan commitments given	64	64
Other commitments and financial guarantees given	116	95
Asset management	330	300
Securities fees	88	73
Custody securities	46	43
Other fees and commissions	194	171
Total	**2,252**	**1,867**

Fee and commission expense. Breakdown by origin (Millions of Euros)	March 2023	March 2022
Demand accounts	1	1
Credit and debit cards	523	399
Transfers and other payment orders	37	29
Commissions for selling insurance	10	11
Custody securities	18	31
Other fees and commissions	225	150
Total	**813**	**621**

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

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net (Millions of Euros)	March 2023	March 2022
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	23	34
Financial assets at amortized cost	*11*	*7*
Other financial assets and liabilities	*12*	*27*
Gains (losses) on financial assets and liabilities held for trading, net	330	171
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	40	65
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	66	114
Gains (losses) from hedge accounting, net	1	(18)
Subtotal gains (losses) on financial assets and liabilities	**460**	**367**
Exchange differences, net	(22)	213
Total	**438**	**580**

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	March 2023	March 2022
Debt instruments	227	(185)
Equity instruments	371	(360)
Trading derivatives and hedge accounting	(308)	529
Loans and advances to customers	44	(396)
Customer deposits	(22)	92
Other	148	687
Total	**460**	**367**

33. Other operating income and expense

Other operating income (Millions of Euros)

	March 2023	March 2022
Gains from sales of non-financial services	108	69
Other operating income	102	90
Total	**209**	**159**

Other operating expense (Millions of Euros)

	March 2023	March 2022
Change in inventories	39	30
Contributions to guaranteed banks deposits funds	134	115
Hyperinflation adjustment (1)	485	459
Other operating expense (2)	417	180
Total	**1,076**	**783**

(1) In March 2023, it includes €242 million due to Turkey and €236 million due to Argentina. In March 2022, it includes €317 million due to Turkey (see Note 1.3) and €142 million due to Argentina.

(2) In March 2023 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.

34. Income and expense from insurance and reinsurance contracts

Income and expense from insurance and reinsurance contracts (Millions of Euros)

	March 2023	March 2022
Income from insurance and reinsurance contracts	745	619
Expense from insurance and reinsurance contracts	(450)	(378)
Total	**295**	**241**

35. Administration costs

35.1 Personnel expense

Personnel expense (Millions of Euros)

	Notes	March 2023	March 2022
Wages and salaries		1,169	950
Social security costs		220	173
Defined contribution plan expense	23	33	22
Defined benefit plan expense	23	10	8
Other personnel expense		118	86
Total		**1,551**	**1,238**

35.2 Other administrative expense

Other administrative expense. Breakdown by main concepts (Millions of Euros)

	March 2023	March 2022
Technology and systems	397	318
Communications	55	47
Advertising	81	55
Property, fixtures and materials	126	102
Taxes other than income tax	134	87
Surveillance and cash courier services	59	47
Other expense	275	198
Total	**1,127**	**855**

36. Depreciation and amortization

Depreciation and amortization (Millions of Euros)

	March 2023	March 2022
Tangible assets	209	193
For own use	*132*	*110*
Right-of-use assets	*77*	*82*
Investment properties and other	*1*	*1*
Intangible assets	129	120
Total	**339**	**313**

37. Provisions or reversal of provisions

Provisions or reversal of provisions (Millions of Euros)

	Notes	March 2023	March 2022
Pensions and other post-employment defined benefit obligations	23	3	1
Commitments and guarantees given		(13)	3
Pending legal issues and tax litigation		19	45
Other provisions		5	(1)
Total		**14**	**48**

38. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

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)

	March 2023	March 2022
Financial assets at fair value through other comprehensive income - Debt securities	1	54
Financial assets at amortized cost	968	683
Of which: recovery of written-off assets by cash collection	*(93)*	*(96)*
Total	**968**	**737**

39. Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets (Millions of Euros)	March 2023	March 2022
Tangible assets	21	(18)
Intangible assets	3	3
Others	3	6
Total	**27**	**(9)**

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

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)	March 2023	March 2022
Gains on sale of real estate	13	29
Impairment of non-current assets held for sale	(6)	(19)
Gains (losses) on sale of investments classified as non-current assets held for sale	—	—
Total	**7**	**10**

41. Subsequent events

From April 1, 2023 to the date of preparation of these Consolidated Financial Statements, except for the payment of the dividend and the share buyback program mentioned in Note 4, no subsequent events requiring disclosure in these Consolidated Financial Statements have taken place that significantly affect the Group’s earnings or its consolidated equity position.

42. 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.

BBVA

Appendices

APPENDIX I. Condensed interim balance sheets and condensed interim income statements of Banco Bilbao Vizcaya Argentaria, S.A.

BBVA, S.A. - Condensed Interim balance sheets (Millions of Euros)

ASSETS	March 2023	December 2022 (1)
Cash, cash balances at central banks and other demand deposits	54,886	52,973
Financial assets held for trading	102,445	91,391
Non-trading financial assets mandatorily at fair value through profit or loss	526	546
Financial assets at fair value through comprehensive income	25,508	24,854
Financial assets at amortized cost	248,833	246,950
Derivatives - hedge accounting	739	1,169
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(137)	(148)
Joint ventures, associates and unconsolidated subsidiaries	22,454	21,960
Tangible assets	3,374	3,531
Intangible assets	852	855
Tax assets	12,081	12,479
Other assets	2,123	1,677
Non-current assets and disposal groups classified as held for sale	612	651
TOTAL ASSETS	**474,297**	**458,888**

LIABILITIES	March 2023	December 2022 (1)
Financial liabilities held for trading	93,425	80,853
Financial liabilities designated at fair value through profit or loss	2,011	1,859
Financial liabilities at amortized cost	338,733	335,941
Hedging derivatives	2,743	2,599
Provisions	3,231	3,385
Tax liabilities	1,037	943
Other liabilities	2,641	2,552
TOTAL LIABILITIES	**443,820**	**428,133**
SHAREHOLDERS' FUNDS	**32,352**	**32,928**
Capital	2,955	2,955
Share premium	20,856	20,856
Other equity	52	49
Retained earnings	7,610	5,453
Other reserves	(715)	(474)
Less: Treasury shares	(195)	(3)
Profit or loss of the period	1,790	4,816
Less: Interim dividends	—	(724)
ACCUMULATED OTHER COMPREHENSIVE INCOME	**(1,876)**	**(2,172)**
TOTAL EQUITY	**30,476**	**30,756**
TOTAL EQUITY AND TOTAL LIABILITIES	**474,297**	**458,888**

MEMORANDUM	March 2023	December 2022 (1)
Loan commitments given	104,085	95,948
Financial guarantees given	16,392	16,305
Contingent commitments given	26,128	26,850

(1) Presented for comparison purposes only.

APPENDIX I. Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A.

BBVA, S.A. - Condensed interim income statements (Millions of Euros)

	March 2023	March 2022 (1)
Interest and other income	2,811	1,091
Interest expense	(1,621)	(239)
NET INTEREST INCOME	**1,191**	**852**
Dividend income	1,664	303
Fee and commission income	667	638
Fee and commission expense	(131)	(115)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	—	4
Gains (losses) on financial assets and liabilities held for trading, net	(27)	79
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	15	4
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(24)	52
Gains (losses) from hedge accounting, net	3	(4)
Exchange differences, net	(13)	39
Other operating income	141	83
Other operating expense	(266)	(36)
GROSS INCOME	**3,219**	**1,898**
Administration costs	(991)	(890)
Depreciation and amortization	(157)	(157)
Provisions or reversal of provisions	3	(8)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(128)	(73)
NET OPERATING INCOME	**1,946**	**771**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	28	(4)
Impairment or reversal of impairment on non-financial assets	(6)	13
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	3	(11)
OPERATING PROFIT BEFORE TAX	**1,971**	**769**
Tax expense or income related to profit or loss from continuing operations	(181)	(151)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**1,790**	**618**
Profit or loss after tax from discontinued operations	—	—
PROFIT (LOSS)	**1,790**	**618**

(1) Presented for comparison purposes only.

This Appendix I is an integral part of Note 1.6 of the condensed interim Consolidated Financial Statements corresponding to the three-month period ended March 31, 2023.

APPENDIX II. Condensed consolidated balance sheets at the IFRS 17 transition date and effective date and condensed consolidated income statement as of March 31, 2022

Condensed consolidated balance sheet at the IFRS 17 transition date

ASSETS (Millions of Euros)	December, 31 2021 disclosed	IFRS17 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	IFRS17 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 as of March 31, 2022

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	March, 31 2022 disclosed	IAS 29 Impact	March 31, 2022 restated with IAS 29	IFRS17 Impact	March 31, 2022 restated with IAS 29 and IFRS 17 (1)
NET INTEREST INCOME	**4,158**	**(209)**	**3,949**	**(6)**	**3,943**
Dividend income	4	—	4	—	4
Share of profit or loss of entities accounted for using the equity method	5	—	5	—	5
Fee and commission income	1,865	3	1,868	—	1,867
Fee and commission expense	(624)	(2)	(626)	5	(621)
Net trading income and exchange difference, net	580	—	580	—	580
Other operating income and expense	(308)	(316)	(624)	—	(624)
Income from insurance and reinsurance contracts	815	—	815	(196)	619
Expense from insurance and reinsurance contracts	(555)	—	(555)	177	(378)
GROSS INCOME	**5,939**	**(524)**	**5,416**	**(21)**	**5,395**
Administration costs	(2,109)	(3)	(2,111)	18	(2,093)
Depreciation and amortization	(306)	(7)	(313)	—	(313)
Provisions or reversal of provisions	(48)	1	(48)	—	(48)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(738)	1	(737)	—	(737)
NET OPERATING INCOME	**2,738**	**(531)**	**2,207**	**(3)**	**2,204**
Impairment or reversal of impairment of investments in joint ventures and associates	—	—	—	—	—
Impairment or reversal of impairment on non-financial assets	9	1	9	—	9
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	1	—	1	—	1
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	17	(8)	10	—	10
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,766**	**(538)**	**2,227**	**(3)**	**2,225**
Tax expense or income related to profit or loss from continuing operations	(788)	(116)	(904)	—	(903)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**1,978**	**(654)**	**1,324**	**(2)**	**1,321**
Profit (loss) after tax from discontinued operations	—	—	—	—	—
PROFIT (LOSS)	**1,978**	**(654)**	**1,324**	**(2)**	**1,321**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**328**	**(330)**	**(3)**	**(1)**	**(3)**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,651**	**(324)**	**1,326**	**(1)**	**1,325**

(1) The restated information contained in this Appendix II 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	IFRS17 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	IFRS17 Impact	December 31, 2022 restated (1)
Financial liabilities held for trading	95,611	—	95,611
Financial liabilities designated at fair value through profit or loss	10,580	—	10,580
Financial liabilities at amortized cost	528,629	543	529,172
Derivatives - hedge accounting	3,303	—	3,303
Liabilities under insurance and reinsurance contracts	11,848	(1,717)	10,131
Provisions	4,933	—	4,933
Tax liabilities	2,742	194	2,935
Other liabilities	4,880	29	4,909
Liabilities included in disposal groups classified as held for sale	—	—	—
TOTAL LIABILITIES	**662,526**	**(950)**	**661,575**
SHAREHOLDERS' FUNDS	**64,422**	**113**	**64,535**
Capital	2,955	—	2,955
Share premium	20,856	—	20,856
Other equity	63	—	63
Retained earnings	32,536	175	32,711
Other reserves	2,345	—	2,345
Less: Treasury shares	(29)	—	(29)
Profit or loss attributable to owners of the parent	6,420	(62)	6,358
Less: Interim dividends	(722)	—	(722)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(17,432)**	**(210)**	**(17,642)**
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**3,624**	**(1)**	**3,623**
TOTAL EQUITY	**50,615**	**(98)**	**50,517**
TOTAL EQUITY AND TOTAL LIABILITIES	**713,140**	**(1,048)**	**712,092**

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

Effect on redesignations of assets as of January 1, 2022

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

Interim Consolidated Management Report

January-March 2023

1Q23 - BBVA reports solid results

Net Attributable Profit
€1,846 Mn

Excellent **core revenues evolution and activity growth**

NII + Fees	Lending activity
+36.7% vs. 1Q22 (constant €)	**+9.8%** vs. Mar 2022[1]

1 Variation at constant exchange rates. Excluding repos.

Leading **efficiency** and **profitability metrics**

Efficiency Ratio	ROTE	ROE
43.3%	**16.3%**	**15.5%**

#1 EUROPEAN PEER GROUP RANKING[1]

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 12M22. BBVA data as of 1Q23

Cost of Risk within guidance

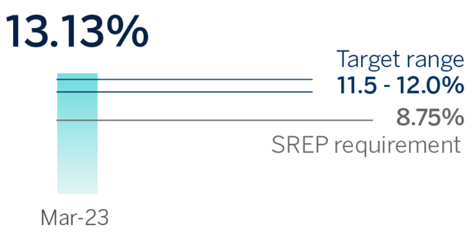
Cost of Risk

1.05%

1Q23

Strong **capital position**

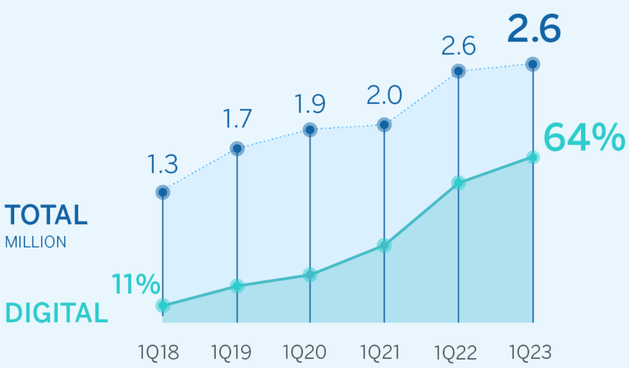
CET1 fully-loaded



TRANSFORMATION

New customers[1]

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

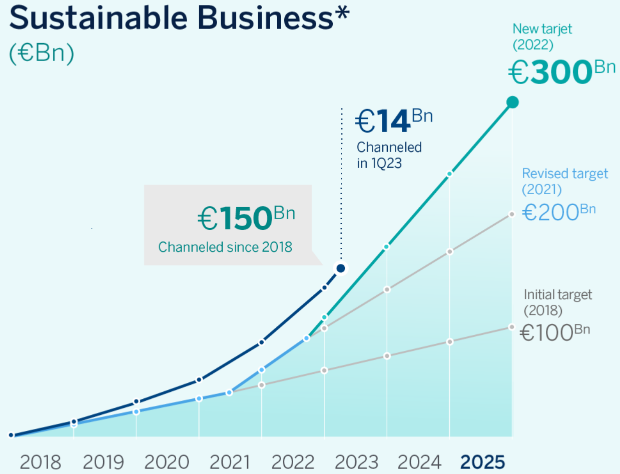


[1] Gross customer acquisition through own channels for retail segment. Excludes the US business sold to PNC.

SUSTAINABILITY

Sustainable Business*

(€Bn)



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

#1 FOR 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 channeled to sustainable business, internal criteria is used based on both internal and external information.

BBVA
Creating Opportunities

Main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)				
	31-03-23	Δ %	31-03-22	31-12-22
Balance sheet (millions of euros)				
Total assets	739,564	9.5	675,706	712,092
Loans and advances to customers (gross)	373,481	8.0	345,970	368,588
Deposits from customers	395,880	9.6	361,195	394,404
Total customer funds	556,839	9.5	508,439	544,576
Total equity	51,471	5.4	48,847	50,517
Income statement (millions of euros)				
Net interest income	5,642	43.1	3,943	19,124
Gross income	6,958	29.0	5,395	24,743
Operating income	3,942	31.9	2,989	14,042
Net attributable profit (loss)	1,846	39.4	1,325	6,358
Net attributable profit (loss) excluding non-recurring impacts (1)	1,846	39.4	1,325	6,559
The BBVA share and share performance ratios				
Number of shares issued (million)	6,030	(9.6)	6,668	6,030
Share price (euros)	6.57	26.1	5.21	5.63
Adjusted earning (loss) per share (euros) (1)	0.29	37.4	0.21	1.04
Earning (loss) per share (euros) (1)	0.29	52.5	0.19	0.98
Book value per share (euros) (1)	8.02	15.1	6.97	7.78
Tangible book value per share (euros) (1)	7.65	15.3	6.64	7.43
Market capitalization (millions of euros)	39,624	14.1	34,740	33,974
Dividend yield (dividend/price; %) (1) (2)	5.3		2.7	6.2
Significant ratios (%)				
Adjusted ROE (net attributable profit (loss)/average shareholders' funds +/- average accumulated other comprehensive income) (1)	15.5		12.1	14.4
Adjusted ROTE (net attributable profit (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (1)	16.3		12.6	15.1
Adjusted ROA (profit (loss) for the period / average total assets - ATA) (1)	1.11		0.81	0.99
Adjusted RORWA (profit (loss) for the period / average risk-weighted assets - RWA) (1)	2.36		1.72	2.12
Efficiency ratio (1)	43.3		44.6	43.2
Cost of risk (1)	1.05		0.82	0.91
NPL ratio (1)	3.3		4.0	3.4
NPL coverage ratio (1)	82		76	81
Capital adequacy ratios (%)				
CET1 fully-loaded	13.13		12.70	12.61
CET1 phased-in (3)	13.13		12.81	12.68
Total ratio phased-in (3)	16.30		16.82	15.98
Other information				
Number of active customers (million)	68.3	9.8	62.2	67.3
Number of shareholders	786,031	(3.6)	815,233	801,216
Number of employees	116,923	5.0	111,402	115,675
Number of branches	6,051	(0.3)	6,071	6,040
Number of ATMs	29,882	1.7	29,379	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 calendar 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 March 31, 2023, there are no differences between phased-in and fully-loaded ratios due to the aforementioned temporary treatment.

Contents

Cover photograph by Pedro González Ortiz.

Highlights

Results and business activity

The BBVA Group generated a net attributable profit of €1,846m in the first quarter of 2023, which represents an increase of 39.4% compared to the first quarter of the previous year, driven by the performance of recurring income from the banking business, mainly net interest income.

These results include the recording, for the financial year 2023, 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.

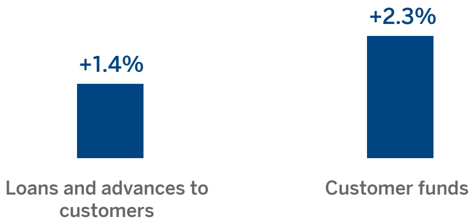
Operating expenses increased by 25.4% at Group level, largely impacted by the inflation rates observed in the countries in which the Group operates. Notwithstanding the above, thanks to the remarkable growth in gross income, higher than the growth in expenses, the efficiency ratio stood at 43.3% as of March 31, 2023, with an improvement of 241 basis points, in constant terms, compared to the ratio recorded 12 months earlier, placing BBVA, once again, in a leading position among its European peer group[1].

The provisions for impairment on financial assets increased (+28.9% in year-on-year terms and at constant exchange rates), with higher provisions mainly in South America and Mexico, in a context of growth in activity.

Loans and advances to customers grew by 1.4% compared to the end of December 2022, strongly favored by the evolution of retail loans (+2.9% at Group level).

Customer funds increased by 2.3% compared to the end of December 2022, thanks to the good performance of off-balance sheet funds (+7.2%), also linked to increased customer preference for them.

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



Business areas

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

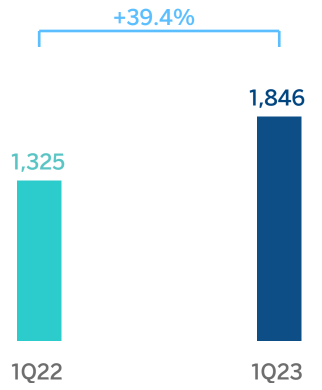
- Spain generated a net attributable profit of €541m in the first quarter of the year 2023, 9.5% lower than in the same period of the previous year, due to the recording, on January 1, 2023, of the temporary tax on credit institutions and financial credit institutions for €225m.
- In Mexico, BBVA achieved a net attributable profit of €1,285m by the end of the first quarter of 2023, representing an increase of 44.2% compared to the same period in 2022, mainly as a result of the boost in lending activity and improvement in the customer spread, which translated into significant growth in net interest income and, to a lesser extent, fee and commission income.
- Turkey generated a net attributable profit of €277m in the first quarter of 2023, which compares very positively with the negative result of €76m in the same quarter of 2022, both periods reflecting the impact of the application of hyperinflation accounting. The accumulated result at the end of March 2023 reflects, in addition to the good business dynamics, 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 €260m.
- South America generated a cumulative net attributable profit of €184m at the end of the first quarter of the year 2023, which represents a year-on-year variation of +57.2%, mainly due to the outstanding performance of recurring income (+70.3%) and NTI, which comfortably offset the growth of 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 €92m accumulated at the end of the first quarter of 2023, 11.6% higher than in the same period of the previous year, thanks to a favorable performance of recurring income and NTI, which offset the increase in expenses in a context of higher inflation and a normalization of loan-loss provisions.

[1] European peer group: Barclays, BNP Paribas, Crédit Agricole, Caixabank, Deutsche Bank, HSBC, ING, Intesa Sanpaolo, Lloyds Banking Group, Nordea, Banco Santander, Société Générale, UBS and Unicredit, comparable peer data as of the end of December 2022.

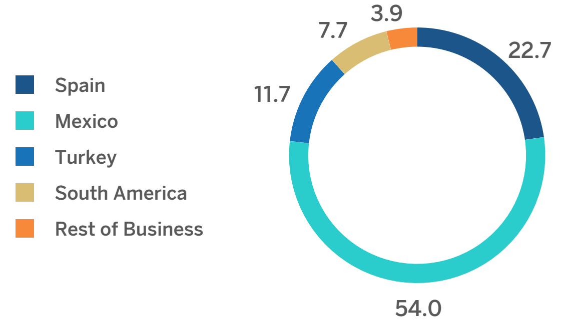
The Corporate Center recorded a net attributable profit of €-531m in the first quarter of the year 2023, compared with €-215m recorded in the same period of the previous year, mainly due to a negative contribution in the NTI line from exchange rate hedges as a result of better than expected currency 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 €550m in the first quarter of 2023. These results, which do not include the application of hyperinflation accounting, represent an increase of 28.1% on a year-on-year basis, due to the growth in recurring income and NTI, which comfortably offset the higher expenses and provisions for impairment on financial assets, highlighting the contribution of Global Transactional Banking.

NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT BREAKDOWN [(1)] (PERCENTAGE. 1Q23)



(1) Excludes the Corporate Center.

Liquidity

The availability of substantial liquidity buffers in each of the geographical areas in which the BBVA Group operates and their management, have allowed internal and regulatory ratios to be maintained well above the minimums required.

Solvency

The Group's CET1 fully-loaded ratio stood at 13.13% as of March 31, 2023, maintaining a large management buffer over the Group's CET1 requirement (8.75%), and also above the Group's established target management range of 11.5-12.0% of CET1.

Shareholder remuneration

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 extraordinary remuneration resulting from the execution of BBVA's buyback program for the repurchase of own shares announced on February 1, 2023 for a maximum amount of €422m. On April 21, 2023, BBVA announced the completion of this share buyback program, having acquired 64,643,559 BBVA shares between March 20 and April 20, 2023, representing approximately 1.1% of BBVA's share capital as of said date.

IFRS 17 - Insurance contracts

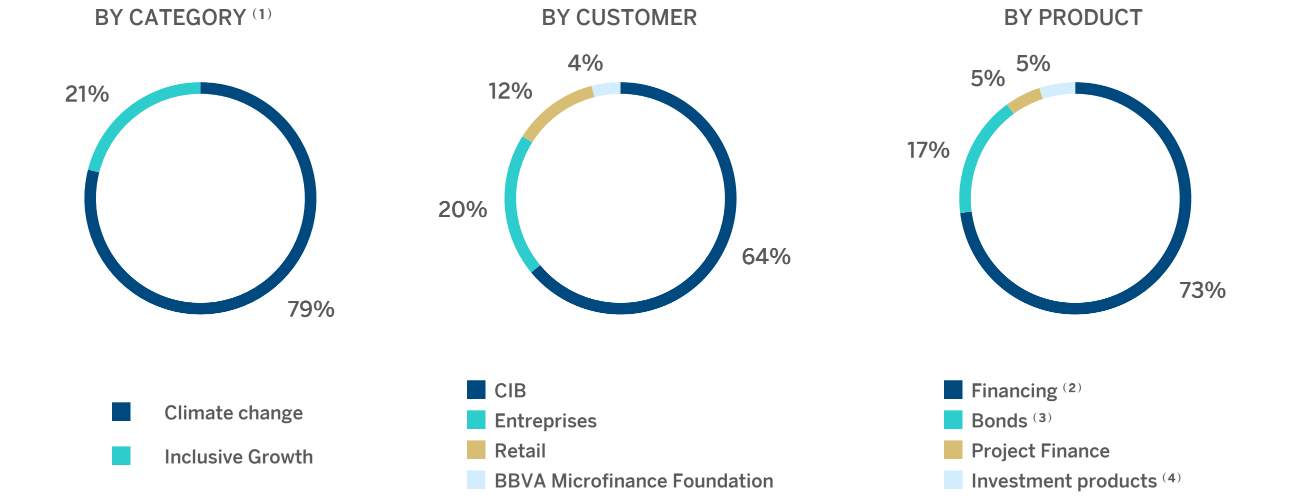
Replacing the International Financial Reporting Standard IFRS 4, on January 1, 2023 IFRS 17 entered into force for the recognition of insurance contracts, which requires establishing January 1, 2022 as the transition date, implying a restatement of the comparative financial statements from that transition date.

The impact of the entry into force of IFRS 17 on the financial statements of the BBVA Group has not been significant.

Sustainability

Channeling sustainable business

SUSTAINABLE BUSINESS BREAKDOWN (PERCENTAGE. TOTAL AMOUNT CHANNELED 2018-MARCH 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 has mobilized a total of approximately €150 billion in sustainable business between 2018 and March 2023. Close to €14 billion have been mobilized this quarter, which represents an increase of nearly 20% compared to the same period in 2022.

Within the channeling of sustainable business[2] accumulated between 2018 and March 2023 which aims to promote the fight against climate change, what stands out is the contribution of the financing of sustainable projects, distinct from project finance and transactional banking activity, which represents 78% of the total channeled at the end of March 2023. It should be considered that these products have had a normal rate of amortization since the beginning of their channeling. The intermediation of third-party bonds in which BBVA acts as bookrunner, a business activity that is recorded off-balance sheet, represents 18% of the channeled business linked to the fight against climate change. Lastly, investment funds and other off-balance sheet products such as insurance and pension plans represent 4%.

For its part, within the channeling of sustainable business accumulated between 2018 and March 2023 which aims to promote inclusive growth, the financing of sustainable projects, financing other than project finance and transactional banking activity, represent 58% of the total amount channeled at the end of March 2023, showing a normal rate of amortization since the beginning of its channeling. The intermediation of third-party bonds in which BBVA acts as bookrunner represents 14%, while investment funds and other off-balance sheet products such as insurance and pension plans represent 8%. Finally, the activity of the BBVA Microfinance Foundation (FMBBVA), not recorded on the BBVA Group's balance sheet, whose objective is to support entrepreneurs with microcredits, represents 20% in terms of the purpose of promoting inclusive growth.

During the first quarter of 2023, the good performance of the retail business has continued, highlighting the mobilization related to sustainable mobility, such as the acquisition of hybrid or electric vehicles, which has grown by 26% compared to the same quarter of the previous year, activity in which geographical areas such as Turkey, Mexico and Peru multiply by more than two times the mobilization compared to the same period of 2022. In financing for inclusive growth, one of the activities that stands out the most is the mobilization for entrepreneurship, which has grown by 15% compared to the same quarter of the previous year and where Turkey more than doubles the mobilization of the same quarter of the previous year.

In commercial business (enterprises), financing related to energy efficient buildings stands out, such as the developer loans or energy efficiency measures for buildings, where channeling grew by 50% in relation to the same quarter of the previous year and where Spain has been fundamental by increasing its channeling in this line by 57%.

[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 said 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.

Lastly, in the corporate business, the dynamism of the brokered bond market in which BBVA acts as bookrunner stands out. During this quarter, the mobilization related to intermediation of these bonds has experienced an increase of 102% compared to the same quarter last year, mainly driven by the greater volume of green bonds, an activity that stands out with an increase of 103% compared to the same quarter of the previous year. However, this first quarter has also been marked by signs of a slowdown in the sustainable corporate financing market, both in the long and short term.

Relevant advances in sustainability matters

- **TCFD**

BBVA has published its fourth TCFD (Task Force on climate-related financial disclosure) report this quarter. As this is its fourth report, BBVA has been one of the first banks to incorporate several of the recommendations of the Glasgow Financial Alliance for Net Zero Emissions (GFANZ) to draw up a plan of transition, a crucial element to facilitate a better understanding of how the Group approaches the transition towards a low carbon economy. New features include the creation of the BBVA Sustainability Alignment Steering Group, which will monitor the objectives and transition plans of its clients.

- **Publication of the progress in the decarbonization of the BBVA portfolios**

BBVA is committed to aligning its activity with a scenario of zero net emissions in 2050. To this end, it supports its customers with financing, advice and innovative solutions, and it is monitoring its customers' decarbonization strategies and incorporating them into its tools of evaluating risks. BBVA follows operational indicators that are relevant in the transformation to obtain a prospective and individualized vision of each client.

During this quarter, BBVA has published for the first time in its TCFD report the progress made in its commitment to decarbonize its credit portfolio, publishing details of the sector plans in which alignment objectives have been set: oil and gas, electricity generation, autos, steel and cement; or phase-out targets, as in the case of the coal sector. In the oil and gas sector, according to the Net Zero Banking Alliance (NZBA) recommendations, progress must be reported 12 months after the date the target is set. BBVA set them in October 2022. For this reason, in this sector it has not published this follow-up at the moment. In all sectors in which progress has been published, there have been cumulative reductions in all decarbonization indicators, although progress is not expected to be linear in the short term.

2030 ALIGNMENT TARGETS AND EMISSIONS ALLOCATED (banking activity)

Sector and metric	2020 (1)	2022	2020 (1) - 2030 target	% progress 2022	Emissions allocated associated with the value chain (M t CO_2e) (2)
Oil & Gas M t CO_2e (1)	14	—	(30)%	n/a	n/a
Power kg CO_2e/Mwh	221	212	(52)%	(4.0)%	3.5
Autos g CO_2/v-km	205	195	(46)%	(4.8)%	0.77
Steel kg CO_2/t Steel	1,270	1,140	(23)%	(10.2)%	0.82
Cement kg CO_2 /t Cement	700	690	(17)%	(1.4)%	0.31
Coal (3) Total commitment (€M)		1,701			0.31

n/a: not applicable

(1) Oil & Gas baseline year 2021.

(2) The calculation of the attributed emissions associated with the value chain has been carried out by adding all the emissions from the different NACE sectors of the sectors under analysis. These NACE sectors comprise more sectors than those included in the PACTA calculation since PACTA is only calculated on the point in the value chain where most of the emissions are generated. This calculation is carried out in this way because, based on the PACTA methodology, it is assumed that by aligning the part of the value chain responsible for emissions, the sector as a whole is aligned. The calculation has been carried out using the PCAF methodology and includes the emissions of BBVA.S.A. except Portugal branches.

(3) Phase-out 2030 in developed countries and 2040 globally.

- **Progress in energy efficiency products in Spain**

BBVA has launched a personalized digital solution for clients in collaboration with a large energy company, for the installation of solar panels in residential homes together with a media campaign. The solution allows private customers to simulate the installation of solar panels at home, both in single-family homes and in communities of owners, with information on potential savings in electricity, the subsidies that could be applied for and financing with advantageous conditions.

During this quarter, BBVA has financed a total of approximately 4,000 panel installations with a growth of more than 67% compared to the first quarter of 2022.

- **Sustainability training for suppliers**

BBVA has promoted sustainability training among 252 of its SME suppliers. With this, BBVA extends to suppliers cross-sectoral sustainability training that its employees have already received since 2020. This initiative is part of the United Nations Compact Sustainable Suppliers training program.

- **BBVA Asset Management recognized with the Best Sustainability Team Award**

BBVA Asset Management has received the award for the Best Sustainability Team of a Spanish Manager at the Funds People Awards 2023. This represents the recognition of the implementation of its Global Sustainability Plan started in 2020, its adherence to UNPRI and the Net Zero Asset Managers in 2021, and the announcement in 2022 of its initial objectives of decarbonization of its portfolios.

Macroeconomic environment

Global growth has shown resilience and has generally been higher than expected by analysts, despite the moderating trend in recent quarters.

Economic activity has benefited from the surprisingly rapid 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. In addition, the easing of anti-COVID-19 policies in China has contributed to a more gradual than expected slowdown in growth, despite its initial negative impact on activity.

Lower energy prices and improvements in bottlenecks in production processes have contributed to a reduction in headline inflation, which, in annual terms, reached 5.0% in the United States and 6.9% in the Eurozone in March. However, despite the recent slowdown in headline inflation, measures of underlying inflation continue to show no significant improvement.

Against this backdrop of still elevated inflationary pressures, central banks have continued to tighten monetary conditions, causing tensions in the banking sector and increasing financial volatility, which eased more recently, following decisive actions taken by authorities in Europe and the United States and in line with the perception that the problems in the banking sector are not systemic.

Despite the recent turmoil in the banking sector, which has contributed to a further tightening of financial conditions, reducing to some extent the pressure for additional monetary tightening, central banks have remained focused on reducing inflation. The U.S. Federal Reserve and the European Central Bank (ECB) have raised their benchmark interest rates (refinancing rates in the case of the ECB) to, respectively, 5.00% and 3.50% in March.

Although uncertainty is high, policy rates are likely to continue rising in the short term, to around 5.25% in the United States and 4.00% in the Eurozone, and to remain at these levels at least until the end of the year. In addition, central banks in both regions are expected to continue to reduce their balance sheets and address stress in the banking sector through macroprudential measures.

BBVA Research expects global growth to be 2.8% in 2023 (0.5 percentage points higher than the previous forecast), after reaching 3.2% in 2022 and 6.1% in 2021. Recent activity data and fading supply shocks favor an upward revision of GDP forecasts for 2023 to 0.8% in the United States and 0.6% in the Eurozone (respectively 0.3 and 0.7 percentage points higher than previously forecast), while in China growth this year is most likely to be 5.2%, 0.2 percentage points above the previous forecast mainly due to the positive impact of the easing of anti-COVID-19 policies. 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 forecast 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

Results

The BBVA Group generated a net attributable profit of €1,846m in the first quarter of 2023, which represents an increase of 39.4% compared to the first quarter of the previous year, driven by the performance of recurring income from the banking business, mainly net interest income.

These results include the recording, for the financial year 2023, of the temporary tax on credit institutions and financial credit institutions[3] for €225m, included in the other operating income and expenses line of the income statement.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	1Q23	Δ %	Δ % at constant exchange rates	1Q22
Net interest income	**5,642**	**43.1**	**43.3**	**3,943**
Net fees and commissions	1,439	15.4	15.8	1,247
Net trading income	438	(24.4)	(18.7)	580
Other operating income and expenses	(561)	49.9	18.3	(374)
Gross income	**6,958**	**29.0**	**32.7**	**5,395**
Operating expenses	(3,016)	25.4	25.7	(2,406)
Personnel expenses	*(1,551)*	*25.2*	*26.4*	*(1,238)*
Other administrative expenses	*(1,127)*	*31.8*	*31.9*	*(855)*
Depreciation	*(339)*	*8.3*	*6.0*	*(313)*
Operating income	**3,942**	**31.9**	**38.6**	**2,989**
Impairment on financial assets not measured at fair value through profit or loss	(968)	31.4	28.9	(737)
Provisions or reversal of provisions	(14)	(71.0)	(68.2)	(48)
Other gains (losses)	(16)	n.s.	n.s.	20
Profit (loss) before tax	**2,944**	**32.3**	**42.3**	**2,225**
Income tax	(950)	5.1	10.7	(903)
Profit (loss) for the period	**1,994**	**50.9**	**64.6**	**1,321**
Non-controlling interests	(148)	n.s.	n.s.	3
Net attributable profit (loss)	**1,846**	**39.4**	**40.5**	**1,325**
Adjusted earning (loss) per share (euros) (1)	**0.29**			**0.21**
Earning (loss) per share (euros) (1)	**0.29**			**0.19**

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

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

[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.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

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

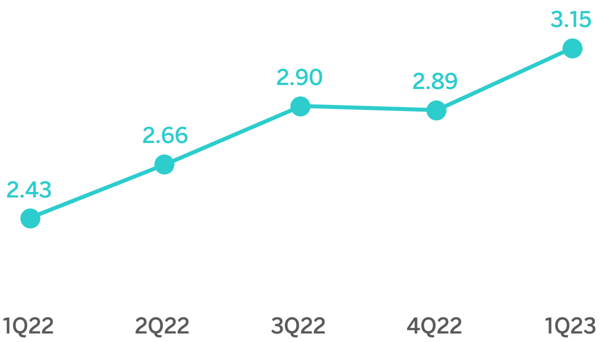
(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

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.

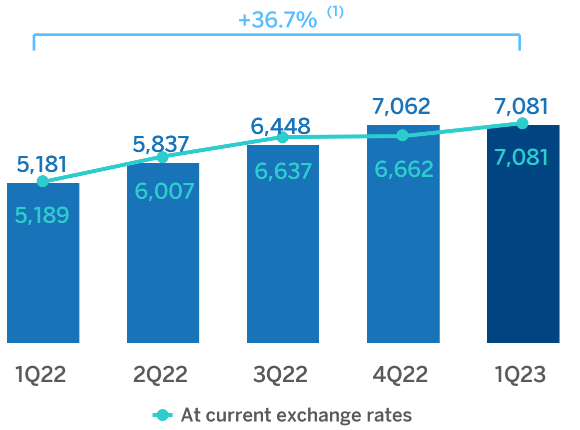
The accumulated net interest income as of March 31, 2023 was higher than the previous year (+43.3%), with increase in all business areas due to the improvement in customer spread and higher performing loan volumes. Particularly noteworthy was the good evolution in Mexico, South America and Spain.

Positive evolution in the net fees and commissions line, which increased by 15.8% in the year due to favorable performance in payment systems and demand deposits. By business areas, Mexico and Turkey are particularly noteworthy.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE)



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

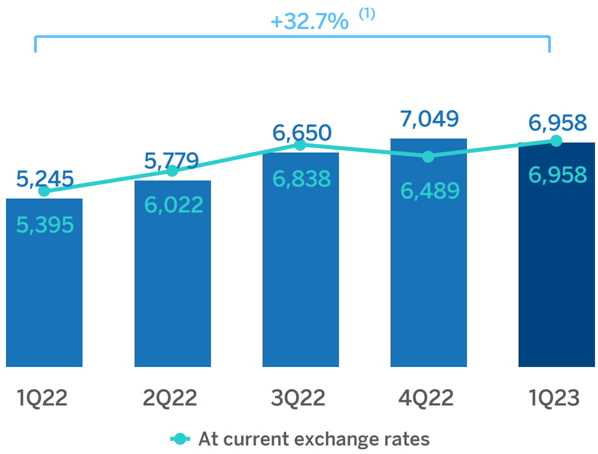


(1) At current exchange rates: +36.5%.

NTI recorded a year-on-year variation of -18.7% at the end of March 2023, due to the negative results recorded in this line in the Corporate Center and, to a lesser extent, in Spain, partially offset by the favorable evolution of this line in all other business areas.

The other operating income and expenses line accumulated a result of €-561m as of March 31, 2023, compared to €-374m in the previous year, mainly due to the €225m recorded in this line for the temporary tax on credit institutions and financial credit institutions for the year 2023. This has been partially offset by the good performance of the insurance business, especially in Mexico.

GROSS INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

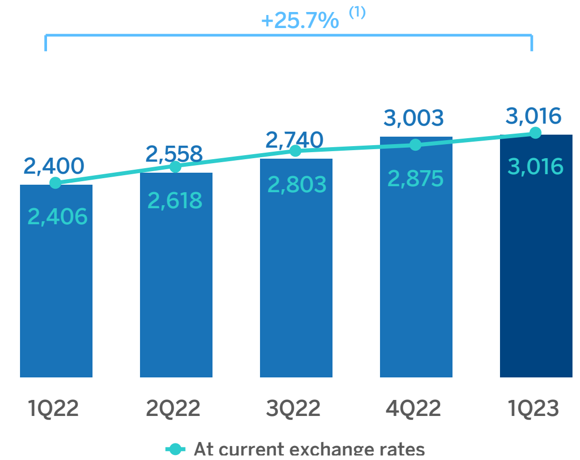


(1) At current exchange rates: +29.0%.

Year-over-year, operating expenses increased 25.7% 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.

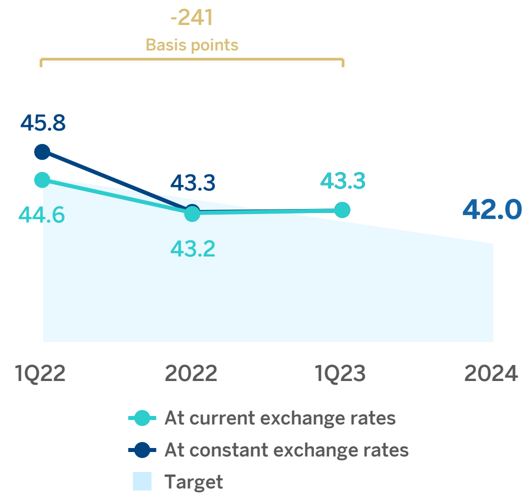
Notwithstanding the above, thanks to the remarkable growth in gross income (+32.7%), the efficiency ratio stood at 43.3% as of March 31, 2023, with an improvement of 241 basis points compared to the ratio recorded 12 months earlier. By areas, Mexico and South America recorded a favorable performance in terms of efficiency.

OPERATING EXPENSES (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



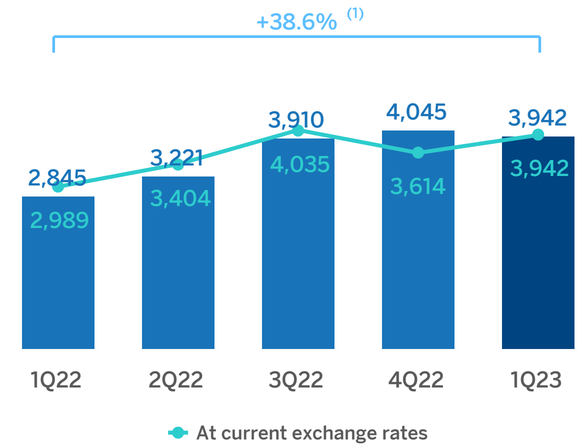
(1) At current exchange rates: +25.4%.

EFFICIENCY RATIO (PERCENTAGE)



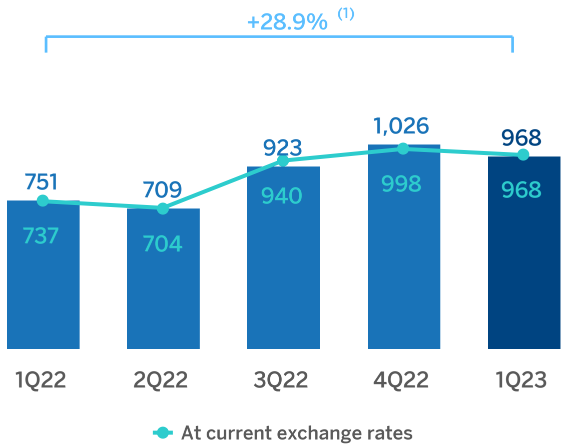
Impairment on financial assets not measured at fair value through profit or loss (impairment on financial assets) at the end of March 2023 was 28.9% higher than in the first quarter of the previous year, with higher provisions mainly in South America and Mexico, in a context of growth in activity.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +31.9%.

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



(1) At current exchange rates: +31.4%.

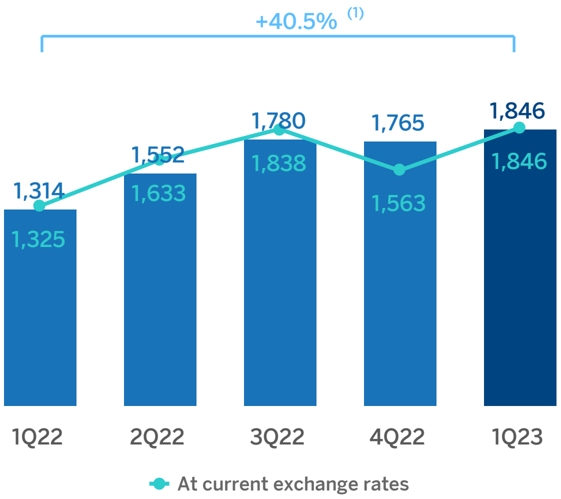
The provisions or reversal of provisions line (hereinafter, provisions) accumulated a negative balance of €14m as of March 31, 2023, an improvement of 68.2% compared to the previous year, mainly due to lower provisions in Spain and Turkey.

For its part, the other gains (losses) line closed March 2023 with a balance of €-16m, which compares negatively with the previous year, when a positive balance of €20m was recorded mainly due to results related to real estate assets in Mexico, Spain and Turkey.

As a result of the above, the BBVA Group generated a net attributable profit, of €1,846m in the first quarter of the year 2023, which compares very positively with the same period of the previous year (+40.5%). These solid results were supported by the favorable evolution of net interest income and, to a lesser extent, net fees and commissions, which compensate 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 March 2023 for the business areas that compose the Group were as follows: €541m in Spain, €1,285m in Mexico, €277m in Turkey, €184m in South America and €92m in Rest of Business.

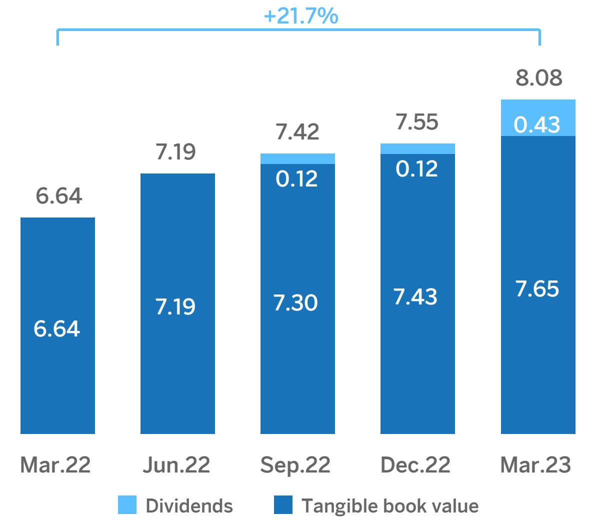
NET ATTRIBUTABLE PROFIT (LOSS) (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +39.4%.

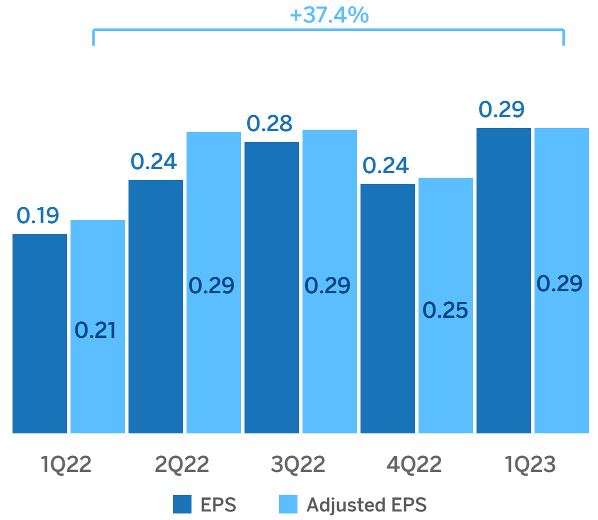
The Group's excellent performance in 2022 has also allowed it accelerate value creation, as reflected in the growth of the tangible book value per share and dividends, which at the end of the first quarter of 2023 was 21.7% higher than in the same period of the previous year.

TANGIBLE BOOK VALUE PER SHARE (1) AND DIVIDENDS (EUROS)



General note: replenishing dividends paid in the period.

ADJUSTED EARNING (LOSS) PER SHARE (2) AND EARNING (LOSS) PER SHARE (2) (EUROS)



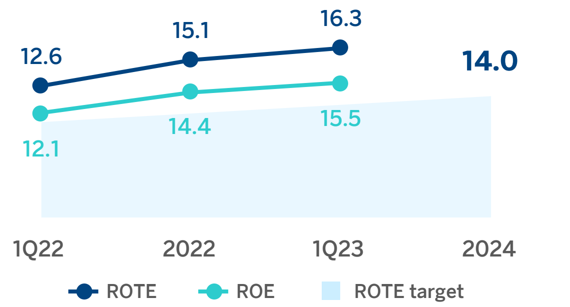
General note: adjusted EPS excludes the net impact arisen from the purchase of offices in Spain in 2Q22.

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

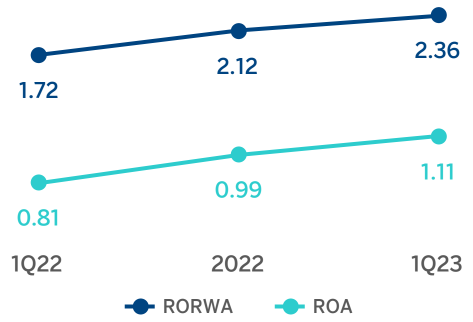
(2) Adjusted by additional Tier 1 instrument remuneration. For more information, see Alternative Performance Measures at the end of this report.

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 at the end of 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 March 31, 2023 are summarized below:

- Loans and advances to customers grew by 1.4% compared to the end of December 2022, strongly favored by the evolution of retail loans (+2.9% at Group level), supported by the good performance of both credit cards and consumer loans (+6.2% overall at Group level) in Mexico and Turkey and, to a lesser extent, by the good evolution of mortgage loans in Mexico.
- Customer funds increased by 2.3% compared to the end of December 2022, thanks to the good performance of off-balance sheet funds (+7.2%), also linked to increased customer preference for them, particularly mutual funds in Mexico and Spain. For its part, customer deposits remained stable compared to the end of the previous year (+0.4%), with a reduction in demand deposits in Spain, offset by an increase in time deposits in Turkey and, to a lesser extent, in South America.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

	31-03-23	Δ %	31-12-22	31-03-22
Cash, cash balances at central banks and other demand deposits	83,267	4.4	79,756	70,937
Financial assets held for trading	119,877	8.3	110,671	112,131
Non-trading financial assets mandatorily at fair value through profit or loss	7,227	4.9	6,888	6,625
Financial assets designated at fair value through profit or loss	997	9.2	913	1,036
Financial assets at fair value through accumulated other comprehensive income	66,277	1.4	65,374	71,079
Financial assets at amortized cost	427,259	3.1	414,421	381,838
Loans and advances to central banks and credit institutions	*22,256*	*8.9*	*20,431*	*16,750*
Loans and advances to customers	*362,317*	*1.4*	*357,351*	*334,553*
Debt securities	*42,686*	*16.5*	*36,639*	*30,536*
Investments in joint ventures and associates	920	0.4	916	911
Tangible assets	8,945	2.4	8,737	7,628
Intangible assets	2,209	2.4	2,156	2,056
Other assets	22,586	1.5	22,259	21,465
Total assets	**739,564**	**3.9**	**712,092**	**675,706**
Financial liabilities held for trading	107,185	12.1	95,611	85,960
Other financial liabilities designated at fair value through profit or loss	11,309	6.9	10,580	9,761
Financial liabilities at amortized cost	542,326	2.5	529,172	504,940
Deposits from central banks and credit institutions	*75,109*	*15.1*	*65,258*	*73,161*
Deposits from customers	*395,880*	*0.4*	*394,404*	*361,195*
Debt certificates	*54,586*	*(1.5)*	*55,429*	*53,540*
Other financial liabilities	*16,751*	*19.0*	*14,081*	*17,045*
Liabilities under insurance and reinsurance contracts	11,010	8.7	10,131	9,620
Other liabilities	16,263	1.1	16,081	16,577
Total liabilities	**688,093**	**4.0**	**661,575**	**626,859**
Non-controlling interests	3,680	1.6	3,623	5,510
Accumulated other comprehensive income	(16,195)	(8.2)	(17,642)	(14,109)
Shareholders' funds	63,986	(0.9)	64,535	57,446
Total equity	**51,471**	**1.9**	**50,517**	**48,847**
Total liabilities and equity	**739,564**	**3.9**	**712,092**	**675,706**
Memorandum item:				
Guarantees given	55,042	(0.3)	55,182	48,891

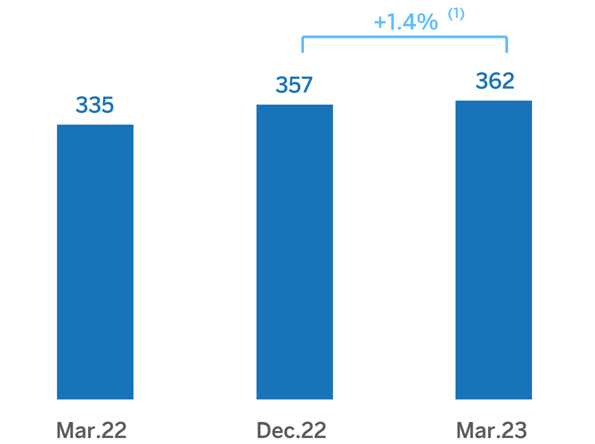
General note: 2022 figures have been restated according to IFRS17 - Insurance contracts.

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	31-03-23	Δ %	31-12-22	31-03-22
Public sector	**21,752**	**4.2**	**20,884**	**20,517**
Individuals	**161,346**	**2.9**	**156,838**	**149,936**
Mortgages	*91,999*	*0.5*	*91,569*	*92,598*
Consumer	*37,663*	*4.7*	*35,965*	*32,845*
Credit cards	*18,997*	*9.3*	*17,382*	*13,326*
Other loans	*12,687*	*6.4*	*11,921*	*11,168*
Business	**177,168**	**(0.1)**	**177,374**	**160,785**
Non-performing loans	**13,215**	**(2.1)**	**13,493**	**14,731**
Loans and advances to customers (gross)	**373,481**	**1.3**	**368,588**	**345,970**
Allowances (1)	(11,164)	(0.7)	(11,237)	(11,417)
Loans and advances to customers	**362,317**	**1.4**	**357,351**	**334,553**

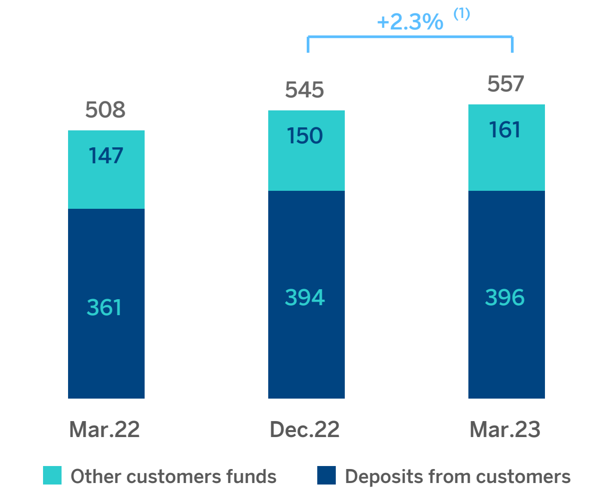
(1) Allowances include valuation adjustments for credit risk throughout the expected residual life in those financial instruments that have been acquired (mainly originating from the acquisition of Catalunya Banc, S.A.). As of March 31, 2023, December 31, 2022 and March 31, 2022, the remaining amount was €173m, €190m and €245m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (BILLIONS OF EUROS)



(1) At constant exchange rates: +0.8%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



(1) At constant exchange rates: +1.7%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	31-03-23	Δ %	31-12-22	31-03-22
Deposits from customers	**395,880**	**0.4**	**394,404**	**361,195**
Current accounts	*308,918*	*(2.3)*	*316,082*	*301,333*
Time deposits	*83,516*	*10.4*	*75,646*	*58,649*
Other deposits	*3,446*	*28.8*	*2,676*	*1,213*
Other customer funds	**160,959**	**7.2**	**150,172**	**147,244**
Mutual funds and investment companies and customer portfolios (1)	*118,640*	*8.9*	*108,936*	*106,323*
Pension funds	*38,901*	*0.6*	*38,653*	*38,460*
Other off-balance sheet funds	*3,418*	*32.4*	*2,582*	*2,461*
Total customer funds	**556,839**	**2.3**	**544,576**	**508,439**

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

Solvency

Capital base

The BBVA Group's strong results during the quarter contributed to the consolidated CET1 fully-loaded ratio to reach 13.13% as of March 31, 2023, maintaining a large management buffer over the Group's CET1 requirement (8.75%)[4], and also above the Group's established target management range of 11.5-12.0% of CET1.

During the first quarter of the year, the CET1 ratio increased 52 basis points. Profit generation, net of dividends and the remuneration of AT1 instruments, resulted in a contribution of 25 basis points to the CET1 ratio. Growth in risk-weighted assets (RWA) deducted 23 basis points from the CET1, which was partially offset by the effect of hyperinflation on equity, the positive evolution of market effect in CET1 and lower regulatory deductions. Additionally, it includes the reversal of the CET1 deduction for prudential provisioning of non-performing exposures, once it has been incorporated into the Group's capital requirement, the impact of which was +19 basis points.

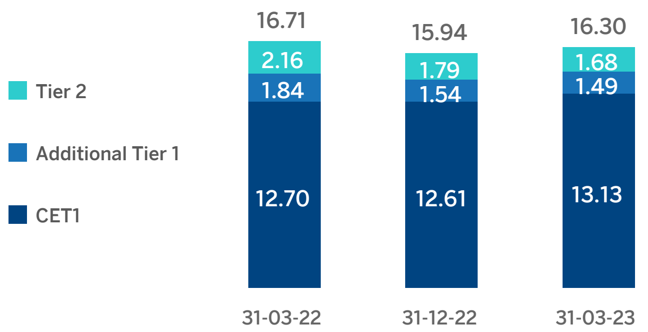
Fully-loaded risk-weighted assets (RWA) increased by approximately €11,700m in the quarter, mainly as a result of increased activity including also the expected regulatory and supervisory impacts.

The consolidated fully-loaded additional Tier 1 capital (AT1) stood at 1.49% as of March 31, 2023, resulting in a 5 basis point decrease from the previous quarter, mainly due to the increase in risk-weighted assets.

For its part, the consolidated fully-loaded Tier 2 ratio at the end of December stood at 1.68%, with a decrease of 11 basis points in the quarter. The total fully-loaded capital ratio stands at 16.30%.

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 March 31, 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		
	31-03-23 (1) (2)	31-12-22	31-03-22	31-03-23 (1) (2)	31-12-22	31-03-22
Common Equity Tier 1 (CET 1)	45,761	42,738	40,537	45,761	42,484	40,154
Tier 1	50,948	47,931	46,364	50,948	47,677	45,982
Tier 2	5,865	5,930	6,839	5,865	6,023	6,838
Total capital (Tier 1 + Tier 2)	**56,813**	**53,861**	**53,203**	**56,813**	**53,699**	**52,819**
Risk-weighted assets	**348,598**	**337,066**	**316,361**	**348,598**	**336,884**	**316,131**
CET1 (%)	13.13	12.68	12.81	13.13	12.61	12.70
Tier 1 (%)	14.62	14.22	14.66	14.62	14.15	14.55
Tier 2 (%)	1.68	1.76	2.16	1.68	1.79	2.16
Total capital ratio (%)	**16.30**	**15.98**	**16.82**	**16.30**	**15.94**	**16.71**

(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 March 31, 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-December 2022.

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 extraordinary remuneration resulting from the execution of BBVA's buyback program for the repurchase of own shares announced on February 1, 2023 for a maximum amount of €422m.

As of March 31, 2023, BBVA's share capital stood at €2,954,757,116.36, divided into 6,030,116,564 shares, at €0.49 par value each, although, on March 20, 2023, after receiving the required authorization from the ECB, the Group began the execution of the aforementioned buyback program for the repurchase of own shares aimed at reducing BBVA's share capital through the redemption of the shares acquired. On April 21, 2023, BBVA announced the completion of this share buyback program, having acquired 64,643,559 BBVA shares between March 20 and April 20, 2023, representing approximately 1.1% of BBVA's share capital as of said date.

SHAREHOLDER STRUCTURE (31-03-23)

	Shareholders		Shares issued	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	326,256	41.5	61,193,570	1.0
501 to 5,000	359,832	45.8	639,344,983	10.6
5,001 to 10,000	53,578	6.8	376,518,484	6.2
10,001 to 50,000	41,760	5.3	797,609,653	13.2
50,001 to 100,000	2,973	0.4	202,817,212	3.4
100,001 to 500,000	1,359	0.2	245,800,790	4.1
More than 500,001	273	0.03	3,706,831,872	61.5
Total	**786,031**	**100**	**6,030,116,564**	**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 RWAs of its resolution group, at a sub-consolidated[5] level (hereinafter, the "MREL in RWAs"). This MREL in RWAs does not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, would currently be 3.30%. Given the structure of own funds and eligible liabilities of the resolution group, as of March 31, 2023, the MREL in RWAs ratio stands at 26.89%[6,7], complying with the aforementioned requirement.

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

Lastly, as of March 31, 2023, the Group's fully-loaded leverage ratio stood at 6.6% (6.6% phased-in)[8].

Ratings

During the first quarter of 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 quarter 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.

[5] 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 March 31, 2023, the total RWAs of the resolution group amounted to €206,655m and the total exposure considered for the purpose of calculating the leverage ratio amounted to €508,210m.
[6] Own resources and eligible liabilities to meet, both, MREL and the combined capital buffer requirement applicable.
[7] As of March 31, 2023, the MREL ratio in terms of Leverage Ratio Exposure stands at 10.93% and the subordination ratios in terms of RWAs and in terms of Leverage Ratio Exposure, stand at 23.59% and 9.02%, respectively, being preliminary data.
[8] The Group’s leverage ratio is provisional at the date of release of this report.

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 Russia have led to significant disruption, instability and volatility in global markets, as well as higher inflation and lower economic growth. The increase in the last year in interest rates 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.

In relation to the relief measures for customers affected by the pandemic, and additionally, affected by the economic effects derived from the war in Ukraine, in Spain and Peru, the possibility of carrying out extensions both in the maturity period as well as in the grace period in financing with public guarantees are still in force. In Spain, they can be requested by companies and the self-employed from June 30, 2022, after the expiration of the Temporary State Aid Framework approved by the European Commission. In Peru, the Decree was approved in May 2022, with eligibility in this measure in place until June 30, 2023, after the extension of the initial period that ended on December 31, 2022.

In addition, on November 23, 2022, the Royal Decree-Law 19/2022, on November 22, was published. It amends the Code of Good Practices, establishes a new Code of Good Practices easing the interest rates hikes on mortgage loans agreements related to primary residences and provides for other structural measures aiming to improve the loan market. 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 very 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, but also through financial channels and the confidence of economic agents.

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 at the end of the year 2022 of €388m; without significant variation during the three month period ended March 31, 2023. In addition, due to the earthquake that has 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 has been reviewed, which has led to a reclassification to Stage 2 of approximately €518m of balances on the balance sheet and €682m of off-balance sheet balances, as well as a charge to results of approximately €58m. It is expected that the classification of these balances and provisions evolve during the year based on events in said area, and it is expected that the classification of operations and their coverage needs will be reassessed as greater certainty is obtained.

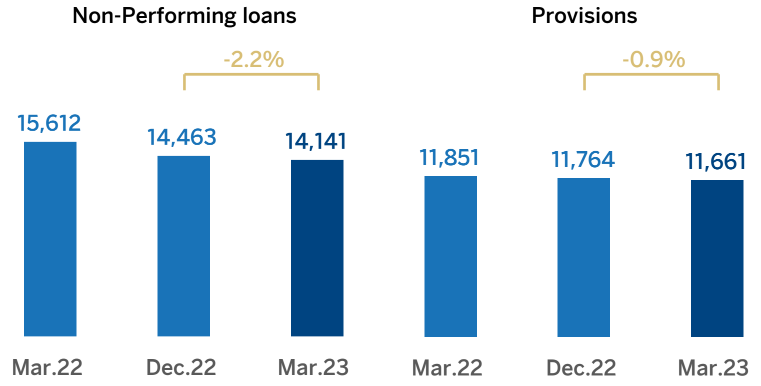
On the other hand, the complementary adjustments pending allocation to specific operations or customers that are in force as of March 31, 2023 total €219m, of which €87m correspond to Spain, €98m to Mexico, €15m to Peru, €10m to Colombia, €4m to Chile and €6m to Rest of Business of the Group. In comparison, as of December 31, 2022, the complementary adjustments pending allocation to specific operations or clients amounted to €302m, of which €163m corresponded to Spain, €92m to Mexico,€25m to Peru, €11m to Colombia, €5m to Chile and €6m to Rest of Business of the Group. The change in the quarter is due to the utilization in the period in Spain, 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:

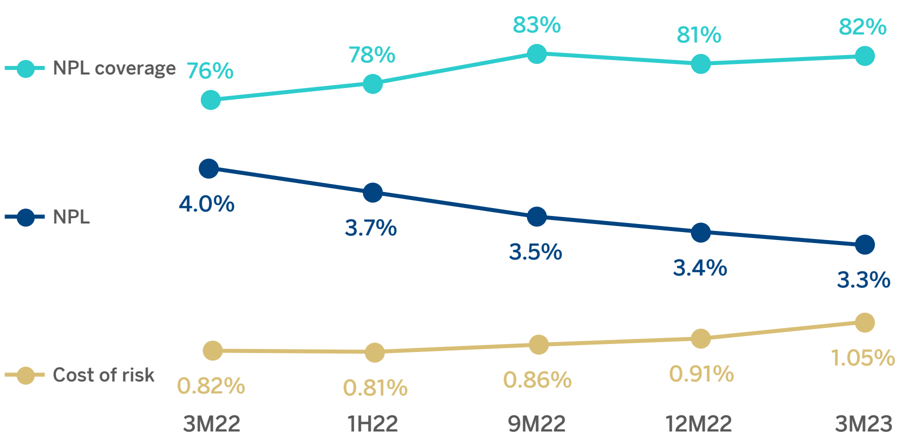
- Credit risk increased in the first quarter of the year by 1.1% (+0.8% at constant exchange rates), with generalized growth at constant exchange rates in almost all geographic areas except Rest of Business and Spain.
- Reduction in the balance of non-performing loans at Group level between January and March 2023 (-2.2% in current terms and -2.5% at constant rates), due to lower NPL inflows, positive dynamics in wholesale portfolios (repayments and recoveries mainly in Turkey) as well as a higher volume of write-offs in Spain. Compared to the same period of the previous year, the balance of non-performing loans decreased by 9.4% (-8.9% at constant exchange rates).

NON-PERFORMING LOANS AND PROVISIONS (MILLIONS OF EUROS)



- The NPL ratio stood at 3.3% as of March 31, 2023, 11 basis points below the figure recorded in December 2022 and 65 basis points below that of March 2022. Noteworthy is the change in Turkey, which improved by 77 basis points compared to the end of 2022 and 239 basis points compared to the first quarter of last year.
- Loan-loss provisions remained almost stable compared to the figure at the end of the fourth quarter (-0.9% with respect to December 2022).
- The NPL coverage ratio stood at 82%, 112 basis points higher than the figure at the end of 2022 (655 basis points higher than the first quarter of 2022), mainly due to the evolution in Turkey and Mexico.
- The cumulative cost of risk as of March 31, 2023 stood at 1.05%. Lower requirements compared to the previous quarter in all geographical areas except Mexico, Argentina and Rest of Business.

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



CREDIT RISK [(1)] (MILLIONS OF EUROS)

	31-03-23	31-12-22	30-09-22	30-06-22	31-03-22
Credit risk	**428,423**	**423,669**	**428,064**	**413,638**	**394,861**
Non-performing loans	14,141	14,463	15,162	15,501	15,612
Provisions	11,661	11,764	12,570	12,159	11,851
NPL ratio (%)	**3.3**	**3.4**	**3.5**	**3.7**	**4.0**
NPL coverage ratio (%) [(2)]	**82**	**81**	**83**	**78**	**76**

(1) Includes gross loans and advances to customers plus contingent liabilities.

(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 81% as of March 31, 2023, 80% as of December 31, 2022 and 74% as of March 31, 2022.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)	1Q23 [(1)]	4Q22	3Q22	2Q22	1Q22
Beginning balance	**14,463**	**15,162**	**15,501**	**15,612**	**15,443**
Entries	2,259	2,332	1,871	2,085	1,762
Recoveries	(1,526)	(1,180)	(1,595)	(1,697)	(1,280)
Net variation	**733**	**1,152**	**276**	**388**	**482**
Write-offs	(1,102)	(928)	(683)	(579)	(581)
Exchange rate differences and other	48	(923)	67	80	269
Period-end balance	**14,141**	**14,463**	**15,162**	**15,501**	**15,612**
Memorandum item:					
Non-performing loans	13,215	13,493	14,256	14,597	14,731
Non performing guarantees given	926	970	906	904	881

(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 determine a solid funding structure based on stable customer deposits, mainly retail (granular). As a result of this model, deposits have a high degree of insurance 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 €141.3 billion, of which 96% corresponds to maximum quality assets (level 1 in the 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), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

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

- The liquidity coverage ratio (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 142% as of March 31, 2023. It should be noted that, given the MPE nature of BBVA, this ratio limits the numerator of the LCR for subsidiaries other than BBVA S.A. to 100%. Therefore, the resulting ratio is below that of the individual units (the main components, the LCR of BBVA S.A. is 161%, Mexico 188% and Turkey 217%). If this restriction was eliminated, the Group's LCR ratio would reach 184%.
- 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 March 31, 2023.

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

LCR AND NSFR RATIOS (PERCENTAGE. 31-03-23)	BBVA, S.A.	Mexico	Turkey	South America
LCR	**161%**	**188%**	**217%**	**All countries >100**
NSFR	**123%**	**138%**	**173%**	**All countries >100**

It should be noted that episodes of volatility in the financial markets during the first quarter of 2023, related to events in American regional banks and a Swiss bank, have had no significant impact on the liquidity and financing situation of the BBVA Group units. In addition to the above, the most relevant aspects related to the main geographical areas are the following:

- BBVA, S.A. has maintained a comfortable position with a large high-quality liquidity buffer. During the first quarter of 2023, commercial activity has been characterized by the decline in lending volumes and customer deposits, these latter influenced by the seasonal component and by the transfer to off-balance sheet funds. 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, which together represent approximately two thirds of the original amount. BBVA's solid liquidity situation has allowed the Bank to bring forward a part of the maturities while maintaining 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 quarter of the year, however, commercial activity has drained liquidity mainly due to the seasonal outflow of funds, coupled with sustained loan growth.
- In Turkey, in the first quarter 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 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 continued to implement 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 liquidity situation also improves in the quarter, with deposits growing more than loans. BBVA Peru maintains solid liquidity levels, thanks to the higher growth in deposits than in lending, affected by the expiration of loans covered by COVID-19 programs. The political instability is not having material impacts in terms of liquidity.

The main wholesale financing transactions carried out by the entities of the BBVA Group are listed below.

In January 2023, BBVA, S.A. carried out two public bond issuance operations: a senior non-preferred bond for €1,000m with a term of 8 years and an early redemption option in the 7th year at 4.625% and a €1,500m mortgage bond with a term of 4 and a half years at 3.125%.

For its part, on February 15, BBVA Mexico carried out two operations, the first of which involved the issue of a green bond for 8,689 million Mexican pesos (approximately €442m) with a maturity of 4 years, the second issue of this type by BBVA Mexico, using the TIIE (Balanced Interbank Interest Rate used in Mexico) rate as benchmark, at one day +32 basis points; and the second was the issue of a senior bond for 6,131 million Mexican pesos (approximately €312m) at a fixed rate of 9.54% and a term of 7 years.

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 factors affecting the Group's main currencies during the first quarter of 2023 have been very disparate, hence the diversity of performance. On the positive side, due to its relevance for the Group, it is worth highlighting the continued strength of the Mexican peso, which has appreciated 6.2% against the euro. Other Latin American currencies that also performed well in the first three months of the year were the Chilean peso (+6.8%) and the Colombian peso (+2.0%). On the other hand, the Argentine peso's depreciation (-16.9%) was higher than it had been in the past, while that of the Peruvian sol was irrelevant (-0.8%). As for the Turkish lira, the 4.3% depreciation can be described as moderate. For its part, the U.S. dollar fell 1.9% against the euro, although it moved in a narrower range than in previous quarters.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Period-end exchange rates			Average exchange rates	
		Δ % on	Δ % on		Δ % on
	31-03-23	31-03-22	31-12-22	1Q23	1Q22
U.S. dollar	1.0875	2.1	(1.9)	1.0730	4.5
Mexican peso	19.6392	12.5	6.2	20.0431	14.7
Turkish lira (1)	20.8632	(22.0)	(4.3)	—	—
Peruvian sol	4.0902	0.7	(0.8)	4.0902	4.3
Argentine peso (1)	226.85	(45.7)	(16.9)	—	—
Chilean peso	858.39	1.8	6.8	871.43	4.2
Colombian peso	5,032.16	(17.3)	2.0	5,107.57	(14.1)

(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: +17 basis points for the U.S. dollar, -11 basis points for the Mexican peso and -1 basis point for the Turkish lira. 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), in order to analyze the potential impact that could derive from a range of scenarios on the Group's different balance sheets.

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

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

The first quarter of 2023 was characterized by persistent inflation in most of the countries where the Group operates. While it is true that some improvement in headline inflation is observable, core inflation is still resilient and, therefore, offers central banks a solid argument to continue with their strategy of raising interest rates. It is important to note that financial markets experienced a strong bout of volatility in March, stemming from the crisis arisen in certain American regional banks and another bank of Swiss origin. These events triggered sharp falls in sovereign debt curves and markets came to question whether central banks should pause their rate hike strategy. As a result, while the short tranches of sovereign curves remained under pressure, longer-term benchmarks fell in the quarter, with significant declines in 10-year benchmarks in both Germany and the United States. Meanwhile, the risk premium in Spain and especially Italy experienced an improvement with respect to the German curve. In Mexico, the central bank also continues to raise rates, a situation that is repeated in several South American countries, such as Colombia, Peru and Argentina. Turkey, for its part, continues with the opposite strategy of lowering rates.

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. The balance sheet interest rate risk profile remained stable during the year, with Spain as the franchise with the highest positive sensitivity to rates in the Group.

  On the other hand, in March 2023 the ECB set the benchmark interest rate at 3.50%, held the marginal deposit facility rate at 3.00% and the marginal loan facility rate at 3.75%. Thus, Euribor reference rates continued to rise in the quarter. In this regard, customer spread is benefiting from the interest rate hikes and the containment in the cost of deposits.
- Mexico continues to show a balanced situation 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 fluctuations, 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. Regarding customer spread, there has been improvement so far in the first quarter of 2023, favored by both the contained cost of deposits and the positive evolution of 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 customer spread worsened in the first quarter of 2023 due to the higher cost of deposits and the limits 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, in balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a very low level of risk. Regarding the benchmark rates of the central banks of Peru and Colombia, they have raised interest rates by 25 and 100 basis points, respectively, during the first quarter of 2023. The customer spread worsens in Colombia, impacted by an increase in the cost of deposits which does not apply in the same way to loan yields, and remains almost flat in Peru.

INTEREST RATES (PERCENTAGE)

	31-03-23	31-12-22	30-09-22	30-06-22	31-03-22
Official ECB rate	3.50	2.50	1.25	0.00	0.00
Euribor 3 months (1)	2.91	2.06	1.01	(0.24)	(0.50)
Euribor 1 year (1)	3.65	3.02	2.23	0.85	(0.24)
USA Federal rates	5.00	4.50	3.25	1.75	0.50
TIIE (Mexico)	11.25	10.50	9.25	7.75	6.50
CBRT (Turkey)	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 March 31, 2023, is identical with 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.

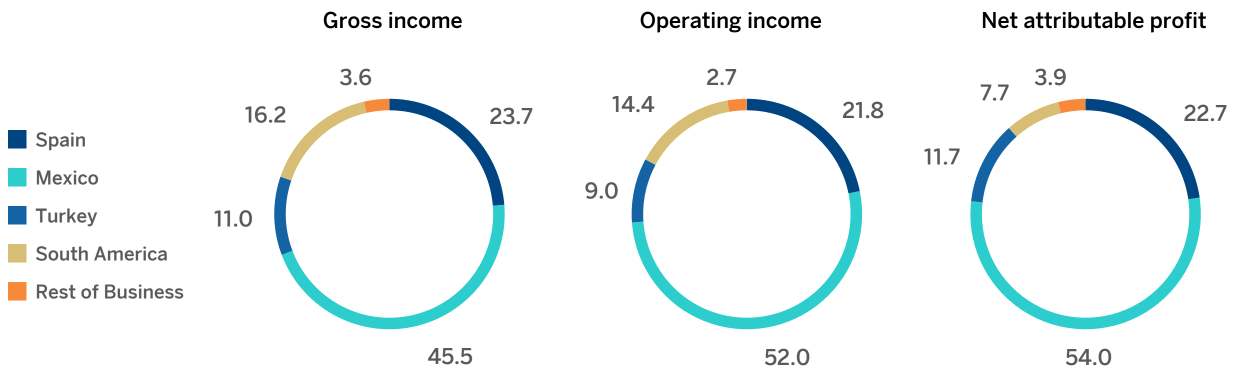
In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, Corporate & Investment Banking (CIB), in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due 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. 1Q23)



(1) Excludes the Corporate Center.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

	BBVA Group	Business areas						Corporate Center
		Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	
1Q23								
Net interest income	5,642	1,183	2,589	626	1,190	113	5,702	(60)
Gross income	6,958	1,726	3,306	802	1,175	260	7,269	(311)
Operating income	3,942	974	2,318	403	642	122	4,458	(516)
Profit (loss) before tax	2,944	851	1,768	327	405	111	3,463	(519)
Net attributable profit (loss)	1,846	541	1,285	277	184	92	2,378	(531)
1Q22 (1)								
Net interest income	3,943	856	1,748	492	809	75	3,980	(37)
Gross income	5,395	1,655	2,232	500	885	202	5,474	(79)
Operating income	2,989	946	1,487	262	473	87	3,255	(266)
Profit (loss) before tax	2,225	837	1,067	155	315	105	2,480	(255)
Net attributable profit (loss)	1,325	598	777	(76)	160	81	1,540	(215)

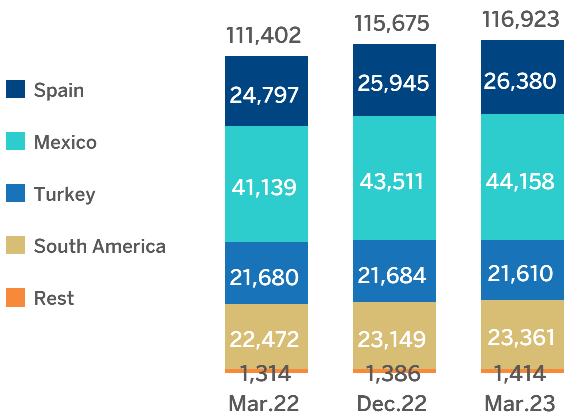
(1) Restated balances according to IFRS17 - Insurance contracts.

MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

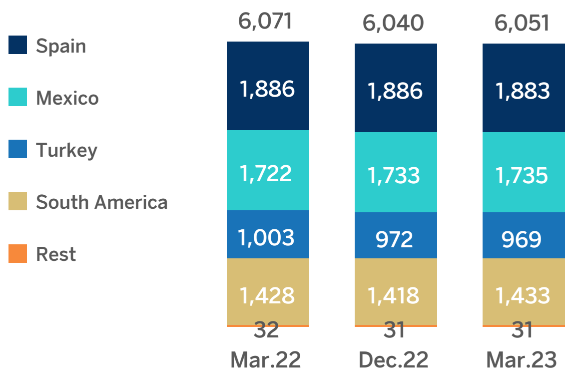
	BBVA Group	Business areas						Corporate Center	Deletions
		Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas		
31-03-23									
Loans and advances to customers	362,317	172,085	77,277	38,995	39,185	35,946	363,488	402	(1,573)
Deposits from customers	395,880	214,476	80,172	51,234	40,782	10,070	396,733	186	(1,039)
Off-balance sheet funds	160,959	90,577	44,408	7,491	17,971	510	160,958	0	—
Total assets/liabilities and equity	739,564	441,720	151,955	71,222	63,063	50,407	778,367	22,396	(61,198)
RWAs	348,598	116,550	78,316	58,683	47,341	33,725	334,615	13,983	—
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.

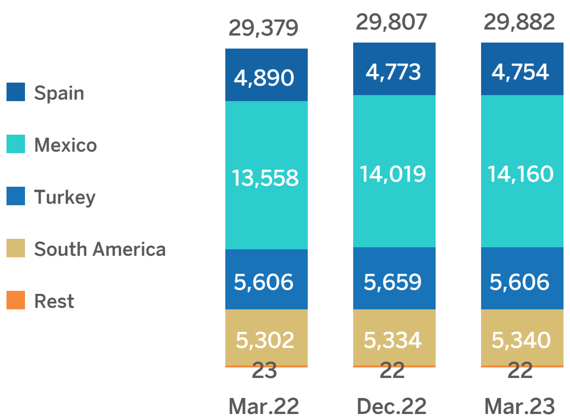
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

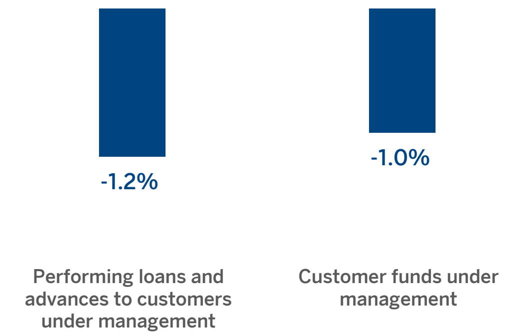


Spain

Highlights

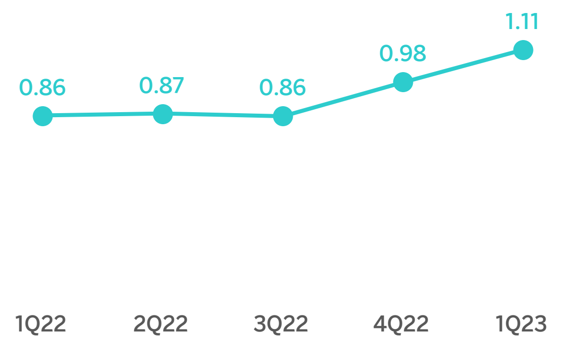
- **Seasonal drop in lending**
- **Significant improvement in net interest income**
- **Recording of the temporary tax on credit institutions for the financial year 2023**
- **Cost of risk remains at low levels, in line with the end of 2022**

BUSINESS ACTIVITY [1] (VARIATION COMPARED TO 31-12-22)

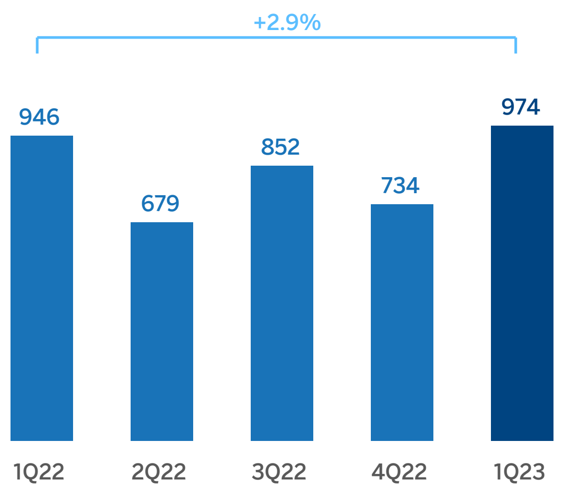


(1) Excluding repos.

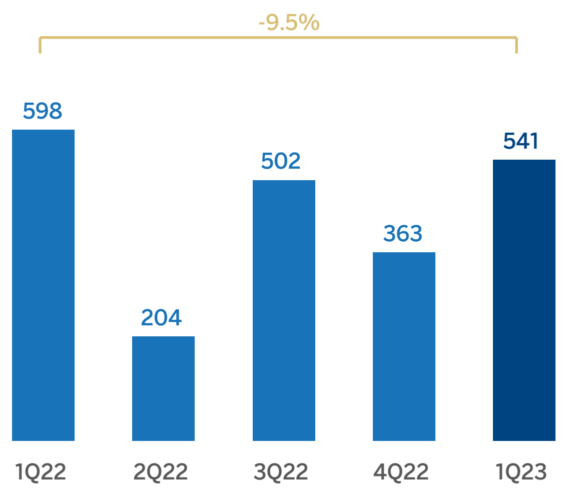
NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE)



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	1Q23	Δ %	1Q22 (1)
Net interest income	**1,183**	**38.2**	**856**
Net fees and commissions	536	—	536
Net trading income	120	(36.9)	190
Other operating income and expenses	(112)	n.s.	73
Of which: Insurance activities	*99*	*10.2*	*90*
Gross income	**1,726**	**4.3**	**1,655**
Operating expenses	(753)	6.2	(709)
Personnel expenses	*(414)*	*8.2*	*(383)*
Other administrative expenses	*(245)*	*10.3*	*(222)*
Depreciation	*(94)*	*(9.8)*	*(105)*
Operating income	**974**	**2.9**	**946**
Impairment on financial assets not measured at fair value through profit or loss	(114)	27.0	(89)
Provisions or reversal of provisions and other results	(9)	(55.0)	(19)
Profit (loss) before tax	**851**	**1.7**	**837**
Income tax	(310)	30.1	(238)
Profit (loss) for the period	**541**	**(9.6)**	**599**
Non-controlling interests	(1)	(33.3)	(1)
Net attributable profit (loss)	**541**	**(9.5)**	**598**

Balance sheets	31-03-23	Δ %	31-12-22 (1)
Cash, cash balances at central banks and other demand deposits	50,952	3.6	49,185
Financial assets designated at fair value	137,432	8.7	126,413
Of which: Loans and advances	*47,764*	*13.9*	*41,926*
Financial assets at amortized cost	207,349	1.4	204,528
Of which: Loans and advances to customers	*172,085*	*(1.1)*	*173,971*
Inter-area positions	37,955	(2.5)	38,924
Tangible assets	2,957	(1.1)	2,990
Other assets	5,075	(0.0)	5,076
Total assets/liabilities and equity	**441,720**	**3.4**	**427,116**
Financial liabilities held for trading and designated at fair value through profit or loss	96,927	14.5	84,619
Deposits from central banks and credit institutions	60,305	16.6	51,702
Deposits from customers	214,476	(3.0)	221,019
Debt certificates	40,898	0.3	40,782
Inter-area positions	—	—	—
Other liabilities	14,777	(6.9)	15,870
Regulatory capital allocated	14,337	9.2	13,124

Relevant business indicators	31-03-23	Δ %	31-12-22
Performing loans and advances to customers under management (2)	169,215	(1.2)	171,209
Non-performing loans	7,668	(2.8)	7,891
Customer deposits under management (2)	213,311	(3.1)	220,140
Off-balance sheet funds (3)	90,577	4.4	86,759
Risk-weighted assets	116,550	1.8	114,474
Efficiency ratio (%)	43.6		47.5
NPL ratio (%)	3.9		3.9
NPL coverage ratio (%)	59		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

After growing by 5.5% in 2022, GDP will increase by around 1.6% in 2023 according to BBVA Research, a forecast two tenths of a percentage point higher than the previous forecast, mainly due to the significant reduction in energy prices and the dynamism of economic activity in recent months. Growth is also expected to moderate further ahead, in line with the outlook of tighter monetary conditions and a slowdown in global and European growth. Annual inflation, which closed 2022 at 5.7%, moderated to 3.3% in March, helped by lower energy prices and favorable base effects. It is expected to average around 3.9% in 2023, above the ECB's 2% target.

As for the banking sector, based on data as of January 2023, the volume of credit to the private sector remained stable, with a slight decline of 0.6% year-on-year. At the end of December 2022 (latest data available by credit portfolios), lending to households remains stable while lending to companies fell by 1.1% in the year. Customer deposits grew by 0.6% year-on-year with data as of the end of January 2023, thanks to the growth in demand deposits, as time deposits continued their downward trend, albeit at a slower pace (-4.5% year-on-year). The NPL ratio continued to fall to 3.56% in January 2023, 77 basis points lower than in January 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 quarter of 2023 were:

- Lending activity decreased (-1.2%), as a result of mortgage payoffs by some customers, which were not offset by the growth in the loans to SMEs (+0.7%) and the public sector (+3.5%).
- In terms of credit quality, the NPL ratio showed a minor decrease of 5 basis points compared to the end of December 2022 and stood at 3.9%, mainly due to the volume of write-offs made during the quarter. The coverage ratio also decreased during the quarter, to 59%, due to the aforementioned shift to write-offs.
- Total customer funds recorded a reduction of 1.0%, which is explained by the lower balances of customer deposits under management, which in December 2022 included extraordinary payments, and customer contributions to off-balance sheet funds. Thus, the variation in demand deposits was -3.8% and +3.3% in the case of time deposits, with the latter having a limited weight in total customer deposits (10.7% at the end of March 2023). Off-balance sheet funds (mutual and pension funds) increased by 4.4%, favored by net contributions in the quarter, despite the turbulence in the markets towards the end of the quarter.

Results

Spain generated a net attributable profit of €541m in the first quarter of the year 2023, 9.5% lower than in the same period of the previous year, due to the recording, on January 1, 2023, 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. In addition, the dynamism of the net interest income stands out.

The most notable aspects of the year-on-year changes in the area's income statement at the end of March 2023 were:

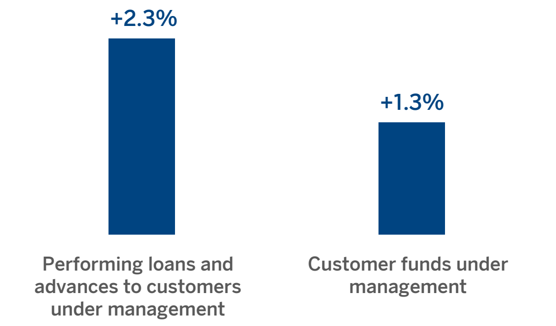
- Net interest income, with a significant year-on-year growth of 38.2%, continued to benefit from the improvement in customer spreads, in a context of interest rate hikes.
- Net fees and commissions were in line with the previous year, as a result of a lower contribution from asset management and banking services fees, offset by higher income from wholesale operations.
- Decrease in the year-on-year NTI contribution (-36.9%), with a lower contribution from the ALCO portfolios, partially offset by the good performance of Global Markets.
- Other operating income and expenses compared negatively with the previous year, due to the €225m recorded in this line for the temporary tax on credit institutions and financial credit institutions for the year 2023. For its part, the performance of the insurance business was higher than in the previous year (+10.2%).
- Growth in operating expenses (+6.2%), 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 4.3%, below the growth in expenses. This increase is affected by the recording of the temporary tax on credit institutions and financial credit establishments. Thus, the efficiency ratio stood at 43.6%.
- Impairment on financial assets was 27.0% higher than in the first quarter of 2022, due to higher provisions needs in the loan portfolio, as well as the recording of some non-recurring positive items in the first quarter of 2022. As a result of the above, the cumulative cost of risk at the end of March 2023 stood at 0.27%, below the 0.28% registered at the end of December 2022.
- Provisions and other results closed the first quarter of 2023 at €-9m, which compares favorably with the previous year, thanks, among other factors, to lower provisions for legal contingencies and higher release of provisions for risks and contingent commitments.

Mexico

Highlights

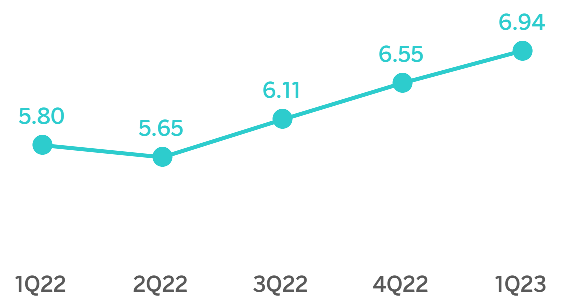
- **Favorable performance of the portfolio, with greater dynamism of the retail segment**
- **Increase in net interest income as a result of effective spread management**
- **Outstanding evolution of the efficiency ratio**
- **Significant growth in net attributable profit**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-22)

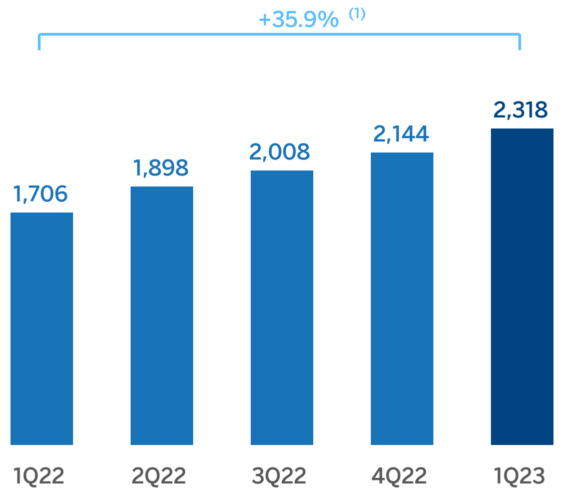


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

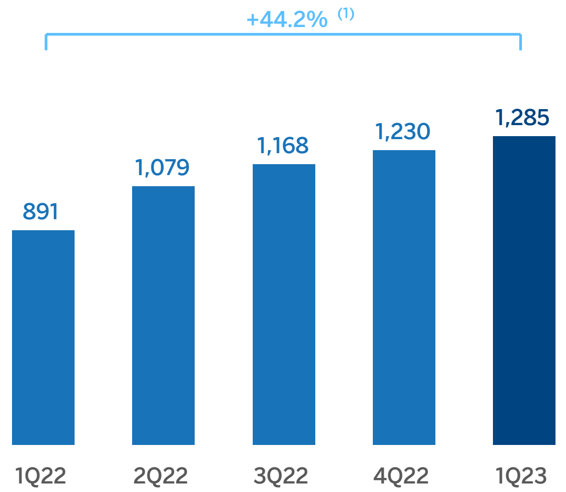


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +55.9%.

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



(1) At current exchange rate: +65.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q23	Δ %	Δ % (1)	1Q22 (2)
Net interest income	**2,589**	**48.2**	**29.2**	**1,748**
Net fees and commissions	483	40.4	22.4	344
Net trading income	149	61.9	41.1	92
Other operating income and expenses	86	77.2	54.5	48
Gross income	**3,306**	**48.2**	**29.2**	**2,232**
Operating expenses	(988)	32.8	15.7	(744)
Personnel expenses	*(455)*	*37.3*	*19.7*	*(332)*
Other administrative expenses	*(424)*	*31.6*	*14.8*	*(322)*
Depreciation	*(109)*	*20.0*	*4.6*	*(90)*
Operating income	**2,318**	**55.9**	**35.9**	**1,487**
Impairment on financial assets not measured at fair value through profit or loss	(549)	31.2	14.4	(419)
Provisions or reversal of provisions and other results	(1)	(38.7)	(46.5)	(1)
Profit (loss) before tax	**1,768**	**65.6**	**44.4**	**1,067**
Income tax	(483)	66.2	44.9	(291)
Profit (loss) for the period	**1,285**	**65.4**	**44.2**	**777**
Non-controlling interests	(0)	69.6	47.8	(0)
Net attributable profit (loss)	**1,285**	**65.4**	**44.2**	**777**

Balance sheets	31-03-23	Δ %	Δ % (1)	31-12-22 (2)
Cash, cash balances at central banks and other demand deposits	12,726	(3.8)	(9.4)	13,228
Financial assets designated at fair value	48,366	3.8	(2.2)	46,575
Of which: Loans and advances	*1,386*	*(8.0)*	*(13.4)*	*1,507*
Financial assets at amortized cost	84,617	9.6	3.2	77,191
Of which: Loans and advances to customers	*77,277*	*8.5*	*2.2*	*71,231*
Tangible assets	2,098	6.5	0.3	1,969
Other assets	4,148	15.4	8.7	3,593
Total assets/liabilities and equity	**151,955**	**6.6**	**0.4**	**142,557**
Financial liabilities held for trading and designated at fair value through profit or loss	28,035	8.5	2.2	25,840
Deposits from central banks and credit institutions	6,862	55.9	46.8	4,402
Deposits from customers	80,172	3.1	(2.9)	77,750
Debt certificates	8,317	7.2	1.0	7,758
Other liabilities	19,224	13.2	6.6	16,976
Regulatory capital allocated	9,344	(4.9)	(10.5)	9,831

Relevant business indicators	31-03-23	Δ %	Δ % (1)	31-12-22
Performing loans and advances to customers under management (3)	77,997	8.6	2.3	71,788
Non-performing loans	1,951	0.6	(5.3)	1,939
Customer deposits under management (3)	79,665	3.3	(2.7)	77,117
Off-balance sheet funds (4)	44,408	16.3	9.5	38,196
Risk-weighted assets	78,316	9.2	2.8	71,738
Efficiency ratio (%)	29.9			31.7
NPL ratio (%)	2.3			2.5
NPL coverage ratio (%)	137			129
Cost of risk (%)	2.88			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

Economic activity is likely to lose some of the dynamism it showed in 2022, when GDP grew by 3.1%, slightly above BBVA Research's forecast. However, the moderation this year will be less accentuated than previously expected: GDP will grow by 1.4%, eight tenths of a percentage point more than the forecast of three months ago, supported mainly by private consumption. Inflation, which closed 2022 at 7.8%, reached 6.9% in March and could average around 5.7% in 2023, well above the inflation target. Price pressures, as well as the monetary policy stance in the United States, are likely to contribute to Banxico maintaining official interest rates at current levels of 11.25%, or even slightly higher, until the end of the year.

As for the banking system, with data as of the end of February 2023, the volume of outstanding credit to the non-financial private sector increased by 12.8% year-on-year, with a greater boost from the consumer portfolio (+18.0%) in relation to mortgages and companies (+11.8% and +11.2%, respectively). Total deposits growth moderated slightly to 6.1% year-on-year in February 2023, highlighting the incipient shift towards time deposits (+13.1% year-on-year). The system's NPL ratio remains stable at around 2.35% in February 2023 and capital indicators are at comfortable levels.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity in the first quarter of 2023 were:

- Lending activity (performing loans under management) grew by 2.3% between January and March 2023, with a more dynamic growth in the retail portfolio. The wholesale portfolio, which includes larger companies and the public sector, recorded a growth of 1.2%, highlighting the dynamism of the corporate banking segment, partially explained by fewer corporate bond issuances due to the high cost of accessing wholesale financing markets. For its part, the retail portfolio grew at a rate of 3.2%. Within this segment, loans to SMEs grew by 6.7%, consumer loans by 4.4%, mortgage loans by 2.1%, and credit cards surprised positively with an increase of 1.7% in the quarter which is usually affected by the seasonal effect of the year-end campaigns. The aforementioned has supported a stable composition in lending activity, with a balanced distribution in lending between wholesale and retail portfolio.
- With regard to the asset quality indicators, the NPL ratio decreased to 2.3% at the end of March 2023, which represents a reduction of 18 basis points compared to the previous year-end, with lower non-performing loans volume, mainly due to the management of write-offs and a good level of recoveries, as well as to the effect of the increase in activity. For its part, the NPL coverage ratio stood at 137% at the end of March 2023, showing an increase in the quarter as a result of the decrease of the non-performing loans volume, excluding the impact of changes in the exchange rate.
- Customer deposits under management decreased between January and March 2023 (-2.7%), as retail customer balances at the end of the previous year recorded extraordinary remunerations, which are typically used during the first quarter. For its part, thanks to the commercial effort and the strategy to promote the growth of investment funds, with lower commissions in a highly competitive environment, off-balance sheet funds grew at a rate of 9.5% between January and March 2023.

Results

In Mexico, BBVA achieved a net attributable profit of €1,285m by the end of the first quarter of 2023, representing an increase of 44.2% compared to the same period in 2022, mainly as a result of the boost in lending activity and improvement in the customer spread, which translated into significant growth in net interest income and, to a lesser extent, fee and commission income.

The most relevant aspects of the year-on-year changes in the income statement at the end of March 2023 are summarized below:

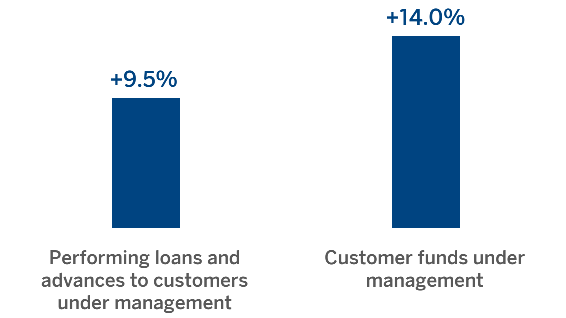
- Net interest income grew by a remarkable 29.2%, as a result of strong lending and effective price management, in a context of rising interest rates, with an improvement in customer spreads.
- Net fees and commissions increased by 22.4% thanks to a higher volume of customer transactions, especially in credit cards, as well as to the income derived from mutual funds management.
- The contribution from NTI increased (+41.1%), due to the good management of Global Markets and, to a lesser extent, foreign exchange trading.
- Other operating income and expenses grew by 54.5% due to the good performance of the insurance business.
- Operating expenses increased (+15.7%), mainly due to higher personnel expenses for salary adjustment and increase in workforce in a context of strong momentum 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 346 basis points compared to twelve months earlier.
- Loan-loss provisions increased (+14.4%), mainly due to the higher provisioning needs of the retail portfolio. As a result, the cumulative cost of risk at the end of March 2023 stood at 2.88%, in line with the one registered at the end of March 2022.

Turkey

Highlights

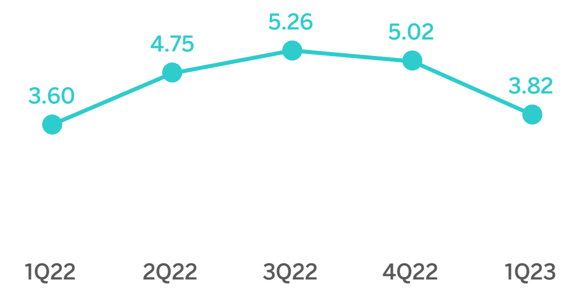
- **Significant de-dollarization of the balance sheet**
- **Improved risk indicators compared to year-end 2022**
- **Net attributable profit positively affected by lower income tax**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATE COMPARED TO 31-12-22)

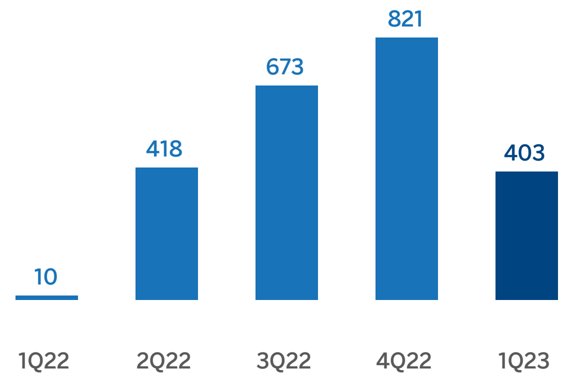


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATE)

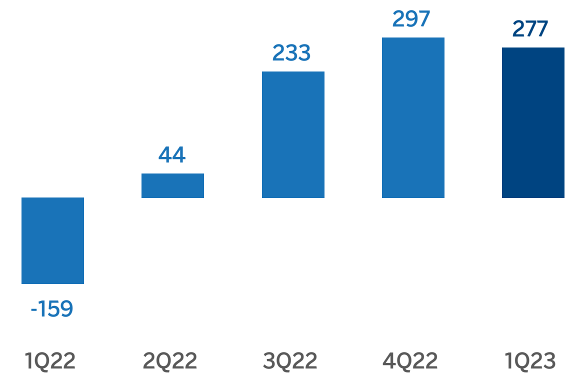


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



Note: variation at current exchange rate: +53.8%.

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



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q23	Δ %	Δ % (1)	1Q22 (2)
Net interest income	**626**	**27.4**	**63.0**	**492**
Net fees and commissions	172	25.9	61.0	137
Net trading income	224	27.9	64.0	175
Other operating income and expenses	(220)	(27.3)	(48.7)	(303)
Gross income	**802**	**60.4**	**n.s.**	**500**
Operating expenses	(399)	67.7	112.7	(238)
Personnel expenses	*(209)*	*58.7*	*103.1*	*(132)*
Other administrative expenses	*(154)*	*99.6*	*154.5*	*(77)*
Depreciation	*(36)*	*24.2*	*49.6*	*(29)*
Operating income	**403**	**53.8**	**n.s.**	**262**
Impairment on financial assets not measured at fair value through profit or loss	(59)	(38.0)	(20.3)	(96)
Provisions or reversal of provisions and other results	(16)	48.9	63.6	(11)
Profit (loss) before tax	**327**	**110.7**	**n.s.**	**155**
Income tax	(5)	(98.4)	(98.0)	(308)
Profit (loss) for the period	**323**	**n.s.**	**n.s.**	**(153)**
Non-controlling interests	(45)	n.s.	n.s.	77
Net attributable profit (loss)	**277**	**n.s.**	**n.s.**	**(76)**

Balance sheets	31-03-23	Δ %	Δ % (1)	31-12-22 (2)
Cash, cash balances at central banks and other demand deposits	8,479	39.9	46.2	6,061
Financial assets designated at fair value	5,109	(1.8)	2.6	5,203
Of which: Loans and advances	*1*	*(50.8)*	*(48.6)*	*3*
Financial assets at amortized cost	54,240	5.1	9.8	51,621
Of which: Loans and advances to customers	*38,995*	*4.1*	*8.8*	*37,443*
Tangible assets	1,368	12.8	17.2	1,213
Other assets	2,025	4.5	9.0	1,938
Total assets/liabilities and equity	**71,222**	**7.9**	**12.7**	**66,036**
Financial liabilities held for trading and designated at fair value through profit or loss	2,079	(2.7)	1.6	2,138
Deposits from central banks and credit institutions	2,756	(4.0)	0.3	2,872
Deposits from customers	51,234	10.6	15.5	46,339
Debt certificates	2,904	(10.2)	(6.2)	3,236
Other liabilities	5,087	7.3	11.9	4,741
Regulatory capital allocated	7,161	6.7	11.5	6,711

Relevant business indicators	31-03-23	Δ %	Δ % (1)	31-12-22
Performing loans and advances to customers under management (3)	38,958	4.8	9.5	37,191
Non-performing loans	2,333	(10.2)	(6.1)	2,597
Customer deposits under management (3)	49,806	9.2	14.2	45,592
Off-balance sheet funds (4)	7,491	8.0	12.9	6,936
Risk-weighted assets	58,683	4.3	8.9	56,275
Efficiency ratio (%)	49.7			33.5
NPL ratio (%)	4.3			5.1
NPL coverage ratio (%)	99			90
Cost of risk (%)	0.52			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

After growing by 5.6% in 2022, one tenth of a percentage point above BBVA Research's forecast, GDP is expected to grow by around 3.0% in 2023 (unchanged from the previous forecast). The negative impact on growth from the strong earthquakes recorded at the beginning of the year is expected to be offset by the impact of construction work and the greater fiscal stimulus. Despite the recent moderation, inflation remains excessively high (50.5% in March), largely due to relatively strong demand, the depreciation of the Turkish lira and the high inertia of the price revision process. The future evolution of inflation, in particular, and of the economy, in general, will depend, among other factors, on the policies implemented after the general elections announced for May. Moreover, the economic environment is highly volatile, given the combination of high inflation, very negative real interest rates, economic policy uncertainty, pressure on the Turkish lira, high external financing needs and the current global and regional background.

Regarding the Turkish banking system, with data as of February 2023, where the effect of inflation remains clear, the total volume of credit in the system increased by 55.8% 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 (+75.8% year-on-year) while corporate lending grew less (+49.8% year-on-year). Total deposits grew strongly (+70.4% year-on-year as of February 2023). Growth in Turkish lira deposits accelerated (+138.0%) while dollar deposits grew much more slowly (+23.1%), reducing dollarization to 29% at the end of February 2023 (vs. 49% a year earlier, driven by regulatory measures announced throughout the year to encourage the growth of Turkish lira deposits). As for the system's NPL ratio, it improved substantially to 1.93% as of February 2023 (109 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. For the conversion of these figures, the exchange rate as of March 31, 2023 is used. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area’s activity in the first quarter of 2023 were:

- Lending activity (performing loans under management) increased by 9.5% between January and March 2023, mainly driven by the growth in Turkish lira loans (+10.4%). This growth was mainly supported by the performance of credit cards and, to a lesser extent, consumer loans. Foreign currency loans (in U.S. dollars) increased by 6.6%, boosted by the increase in activity with customers focused on foreign trade (with natural hedging of exchange rate risk).
- In terms of asset quality, the NPL ratio decreased 77 basis points from that at the end of December 2022 to 4.3% and 239 basis points below the figure for the first quarter of 2022 due to the good performance in the wholesale portfolio, mainly in recoveries and repayments. Improvement in the NPL coverage ratio in the quarter to 99% as of March 31, 2023 due to the decrease in the non-performing loans balance.
- Customer deposits (72% of the area's total liabilities as of March 31, 2023) remained the main source of funding for the balance sheet and increased by 14.2%. Noteworthy is the positive performance of Turkish lira time deposits (+40.3%), which represent a 77.3% of total customer deposits in local currency, as well as demand deposits (+10.7%). Balances deposited in foreign currency (in U.S. dollars) continued their downward path and decreased by 8.1%, with transfers from foreign currency time deposits to Turkish lira time deposits observed under a foreign exchange protection scheme. Thus, as of March 31, 2023, Turkish lira deposits accounted for 62% of total customer deposits in the area. For its part, off-balance sheet funds grew by 12.9%.

Results

Turkey generated a net attributable profit of €277m in the first quarter of 2023, which compares very positively with the negative result of €76m in the same quarter of 2022, both periods reflecting the impact of the application of hyperinflation accounting. The accumulated result at the end of March 2023 reflects, in addition to the good business dynamics, 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 €260m.

The most significant aspects of the year-on-year evolution in the area's income statement at the end of March 2023 are summarized below:

- Net interest income recorded a year-on-year growth of 63.0%, reflecting growth in Turkish lira loan, improved foreign currency spread, as well as lower funding costs and higher income from the securities portfolio.
- Net fees and commissions increased by 61.0%, favored by the performance in payment systems fees, money transfers, brokerage activity and guarantees and asset management.
- NTI showed an excellent performance (+64.0%) thanks to the increase in the results of the Global Markets unit as well as gains from foreign exchange positions, derivatives and securities.
- The other operating income and expenses line showed a balance of €-220m, which compares favorably with the negative balance of 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 quarter of 2022, partially offset by the income derived from inflation-linked bonds (CPI linkers), which were slightly lower in relation to those obtained in the first quarter of 2022. It is also worth highlighting the improved performance of Garanti BBVA's subsidiaries, also included in this line.

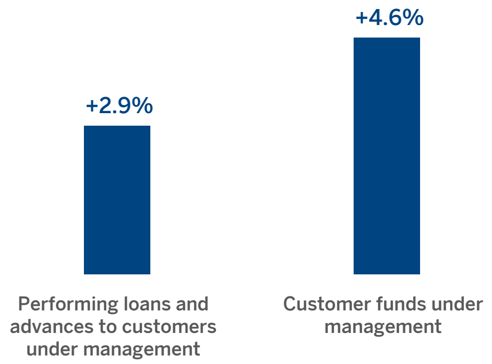
- Operating expenses increased by 112.7%, with growth both in personnel, as a result of salary improvements to compensate for the loss of purchasing power of the workforce, and in general expenses, mainly due to the institutional donation of approximately €32m made by the BBVA Group to help those affected by the earthquake that struck an area in the south of the country last February.
- Impairment on financial assets decreased by 20.3%, mainly due to strong recoveries in the wholesale segments and good dynamics of non-performing entries. For its part, the accumulated cost of risk at the end of March 2023 recorded a significant improvement to reach 0.52% from the 0.94% at the end of the previous year.
- The provisions and other results line closed March 2023 with a higher loss than in the same quarter of the previous year, mainly due to lower results related to real estate assets.

South America

Highlights

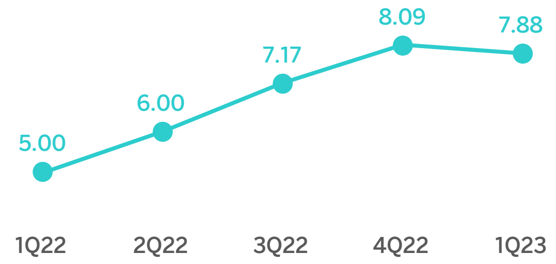
- **Growth in lending activity and customer funds**
- **Favorable performance of recurring income**
- **Higher adjustment for hyperinflation in Argentina**
- **Improvement of the efficiency ratio**

BUSINESS ACTIVITY (1) (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

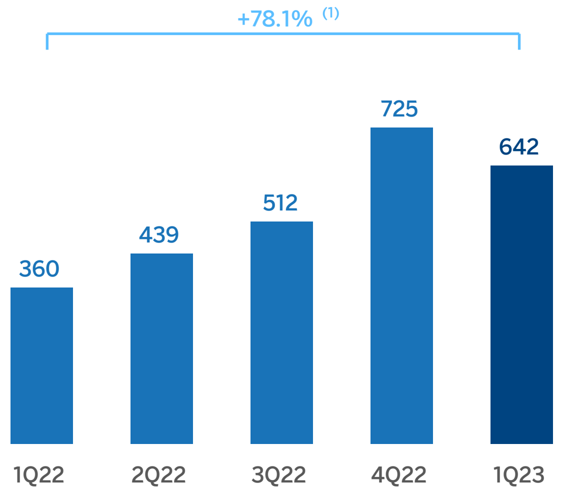


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

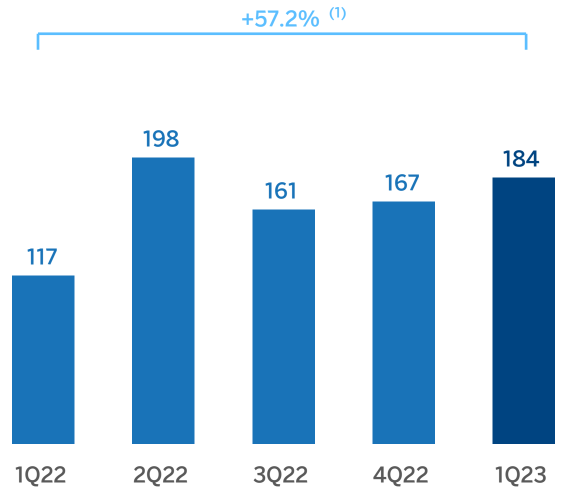


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +35.7%.

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



(1) At current exchange rates: +14.8%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q23	Δ %	Δ % (1)	1Q22 (2)
Net interest income	**1,190**	**47.0**	**81.7**	**809**
Net fees and commissions	184	3.4	21.0	178
Net trading income	127	36.3	66.1	93
Other operating income and expenses	(326)	66.9	85.3	(195)
Gross income	**1,175**	**32.7**	**66.1**	**885**
Operating expenses	(533)	29.2	53.6	(413)
Personnel expenses	*(252)*	*25.5*	*50.6*	*(201)*
Other administrative expenses	*(239)*	*34.4*	*61.7*	*(177)*
Depreciation	*(43)*	*24.0*	*32.1*	*(35)*
Operating income	**642**	**35.7**	**78.1**	**473**
Impairment on financial assets not measured at fair value through profit or loss	(227)	61.2	98.2	(141)
Provisions or reversal of provisions and other results	(9)	(45.8)	(38.5)	(16)
Profit (loss) before tax	**405**	**28.6**	**75.4**	**315**
Income tax	(124)	38.3	94.8	(89)
Profit (loss) for the period	**282**	**24.7**	**68.1**	**226**
Non-controlling interests	(98)	48.7	92.9	(66)
Net attributable profit (loss)	**184**	**14.8**	**57.2**	**160**

Balance sheets	31-03-23	Δ %	Δ % (1)	31-12-22 (2)
Cash, cash balances at central banks and other demand deposits	7,646	(0.6)	2.8	7,695
Financial assets designated at fair value	10,559	(1.7)	3.7	10,739
Of which: Loans and advances	*61*	*(59.6)*	*(60.4)*	*152*
Financial assets at amortized cost	41,734	3.2	4.4	40,448
Of which: Loans and advances to customers	*39,185*	*1.9*	*3.0*	*38,437*
Tangible assets	1,070	(1.6)	1.0	1,088
Other assets	2,054	3.7	4.4	1,981
Total assets/liabilities and equity	**63,063**	**1.8**	**4.0**	**61,951**
Financial liabilities held for trading and designated at fair value through profit or loss	2,390	(15.1)	(16.4)	2,813
Deposits from central banks and credit institutions	5,395	(3.8)	(4.7)	5,610
Deposits from customers	40,782	1.8	4.6	40,042
Debt certificates	3,070	3.9	3.3	2,956
Other liabilities	5,537	18.9	26.3	4,655
Regulatory capital allocated	5,889	0.2	2.4	5,874

Relevant business indicators	31-03-23	Δ %	Δ % (1)	31-12-22
Performing loans and advances to customers under management (3)	39,206	1.9	2.9	38,484
Non-performing loans	1,929	5.1	5.2	1,835
Customer deposits under management (4)	40,782	1.8	4.6	40,042
Off-balance sheet funds (5)	17,971	1.2	4.7	17,760
Risk-weighted assets	47,341	1.1	3.1	46,834
Efficiency ratio (%)	45.4			46.3
NPL ratio (%)	4.3			4.1
NPL coverage ratio (%)	99			101
Cost of risk (%)	2.18			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.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit (loss)			
Country	**1Q23**	**Δ %**	**Δ % (1)**	**1Q22 (2)**	**1Q23**	**Δ %**	**Δ % (1)**	**1Q22 (2)**
Argentina	170	106.8	n.s.	82	52	181.9	n.s.	18
Colombia	123	(28.9)	(17.3)	173	41	(43.3)	(34.0)	72
Peru	258	37.7	32.0	187	57	12.9	8.2	51
Other countries (3)	90	204.5	179.1	30	34	75.5	63.2	19
Total	**642**	**35.7**	**78.1**	**473**	**184**	**14.8**	**57.2**	**160**

(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	
	31-03-23	**31-12-22**	**31-03-23**	**31-12-22**	**31-03-23**	**31-12-22**
Performing loans and advances to customers under management (1) (2)	3,854	3,183	13,723	13,541	17,033	16,804
Non-performing loans (1)	71	53	641	612	1,074	1,045
Customer deposits under management (1) (3)	6,900	5,787	13,625	13,307	16,432	16,090
Off-balance sheet funds (1) (4)	2,313	1,914	2,417	2,086	1,447	1,441
Risk-weighted assets	7,910	8,089	15,450	15,279	18,460	17,936
Efficiency ratio (%)	54.1	61.3	46.3	40.4	37.3	37.2
NPL ratio (%)	1.7	1.6	4.3	4.2	5.0	4.9
NPL coverage ratio (%)	169	173	103	106	90	91
Cost of risk (%)	4.00	2.61	1.74	1.56	2.11	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 quarter of the year 2023 were:

- Lending activity (performing loans under management) recorded an increase of 2.9%, with growth focused on the retail portfolio, which grew more than the wholesale portfolio (+4.0% versus +1.9%), favored by the evolution of consumer loans (+4.9%) and credit cards (+10.5%).
- With regard to asset quality, the NPL ratio stood at 4.3%, with an increase of 15 basis points in the quarter at the regional level, although stable in relation to the same period of the previous year. For its part, the area's NPL coverage ratio stood at 99%.
- Customer funds under management increased (+4.6%) compared to the closing balances at the end of 2022, with higher contribution from time deposits (+15.6%) in an environment of rising benchmark rates and, to a lesser extent, on off-balance sheet funds (+4.7%).

South America generated a cumulative net attributable profit of €184m at the end of the first quarter of the year 2023, which represents a year-on-year variation of +57.2%, mainly due to the outstanding performance of recurring income (+70.3%) and NTI, which comfortably offset the growth of expenses, in a highly inflationary environment throughout the region, and the higher provisioning requirements for impairment on financial assets.

With regard to the aforementioned inflation impact in Argentina, it stood at €-241m at the end of March 2023, above the €-142m accumulated at the end of March 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

Despite the less favorable global context and the local environment marked by the difficulty in fixing current macroeconomic distortions and meeting the targets set in the agreement reached with the International Monetary Fund, economic activity showed some dynamism in 2022, with GDP growing by 5.2% in the period, two tenths of a percentage point more than forecast by BBVA Research. However, the most recent data show a significant slowdown in economic activity, in addition to the strong negative impacts of the recent drought on agricultural production and exports. In this context, the forecast for GDP growth in 2023 has been cut from -0.5% three months ago to -2.5%. Moreover, the expectation of GDP contraction in 2023 is supported by the global slowdown, high inflation (94.8% in December 2023, 103,4% in March according to BBVA Research's forecast, and expected to be around 107% in 2023, on average), financial volatility, limited margin for further stimulus measures and uncertainty about the evolution of economic policy in a presidential election year.

The banking system continues to grow at a steady pace, but remains driven by high inflation. With provisional data as of March 2023, total lending grew by 78.3% compared to the same month in 2022, favored by both consumer and corporate portfolios, reaching growth of 78.0% and 86.0% year-on-year, respectively. For its part, deposits accelerated their growth compared to previous months, increasing by 110% year-on-year according to the provisional data as of March 2023. Finally, the NPL ratio remained stable at 3.21% in January 2023 (113 basic points lower than in the same month in 2022).

Activity and results

- In the first quarter of 2023, performing loans under management increased by 21.1%, a figure that is well below inflation, with growth in both the business portfolio (+22.8%) and the retail portfolio (+19.7%), highlighting in the latter credit cards (+16.0%) and consumer loans (+24.7%), the latter driven by the lending campaign to favor the financial inclusion of certain customers. The NPL ratio stood at 1.7%, which represents an increase compared to the previous year (+13 basis points) originating from retail portfolios. For its part, the NPL coverage ratio stood at 169% in the quarter due to the increase in the non-performing loans balance.
- Balance sheet funds grew by 19.2% between January and March 2023, with a similar increase of time and demand deposits, in absolute terms, although the latter increased at a faster rate (+15.3% versus +24.8%). For its part, mutual funds also performed favorably (+20.8%).
- The cumulative net attributable profit at the end of March 2023 stood at €52m, well above the figure achieved in the first quarter of 2022, mainly due to the favorable evolution of the net interest income driven by both volume and price effects, with a clear improvement in customer spread, as well as higher yields on securities portfolios. The year-on-year evolution of net fees and commissions and NTI was also favorable and was partially offset by a more negative adjustment for inflation, higher expenses -both personnel expenses due to salary revisions and general expenses- and loan-loss provisioning.

Colombia

Macro and industry trends

Economic activity slowed at the end of last year, bringing growth in 2022 to 7.5%, below BBVA Research's forecast of 8.0%. In addition, high inflation (13.1% in December and 13.3% in March) prompted the Bank of the Republic to raise interest rates to 13% in March. In this context, and taking into account financial volatility and economic policy uncertainty, BBVA Research estimates that interest rates will remain at this contractionary level, or even at a slightly higher level until the fourth quarter of this year, inflation will remain relatively high in 2023 (12.0%, on average) and that growth will decelerate significantly to around 0.7% in 2023 (unchanged from the previous forecast).

Total lending growth in the banking sector stood at 15.4% year-on-year in January 2023, and continues to be driven by corporate credit at 16.6% and lending to households, mainly consumer loans, at 16.6% year-on-year. Moreover, total deposits grew by 14.4% year-on-year at the end of January 2023, characterized by a strong shift towards time deposits (up 54.2% year-on-year) and a slowdown in the growth of demand deposits (to -1.7% year-on-year). The system's NPL ratio remained stable at around 3.93% in January 2023, a drop of 21 basis points since the same month in 2022.

Activity and results

- Lending activity registered a growth of 1.3% compared to the end of 2022. Noteworthy was the performance in the retail portfolio (+2.2%), thanks to the performance of consumer loans and credit cards, while the wholesale portfolio showed stability (+0.2%). In terms of asset quality, the NPL ratio increased in the first quarter of the year (+18 basis points) to 4.3%, originating from retail portfolios, mainly consumer portfolio. For its part, the NPL coverage ratio declined slightly in the quarter to 103%.
- In the first quarter of 2023, customer deposits increased by 2.4% thanks to the positive evolution of time deposits (+13.1%). For its part, off-balance sheet funds recorded a growth of 15.9% between January and March 2023.
- The cumulative net attributable profit at the end of the first quarter of 2023 stood at €41m, that is, 34.0% lower than at the end of the same quarter of the previous year. The lower contribution from net interest income was affected by the high cost of funds and was offset by NTI and net fees and commissions income. On the lower part of the income statement, higher operating expenses and higher provisions for impairment of financial assets.

Peru

Macro and industry trends

Against a context of political instability, which could have a negative impact on economic activity, GDP expanded by 2.7% in 2022, in line with BBVA Research's forecast. Moreover, uncertainty about future policies, high inflation, high interest rates and the global economic slowdown will negatively impact growth in 2023, a period for which growth is expected to be around 1.9%, six tenths of a percentage point below the previous forecast. Inflation, which closed 2022 at 8.5% and reached 8.4% in March, would remain high in 2023 (around 6.3%, on average), while official interest rates would remain at the current level of 7.75% in the coming months.

Total credit growth in the Peruvian banking system continued to moderate, reaching 1.8% year-on-year in February 2023. The strongest slowdown continues to be observed in corporate loans, with a balance contraction of 4.7% year-on-year. In contrast, the dynamism of consumer loans remains, with the balance growing by 22.5% year-on-year in February 2023, while the mortgage portfolio maintained a stable growth rate of around 7.3% year-on-year. The system's total deposits grew slightly (+1.6% year-on-year in February 2023), with a greater shift towards time deposits (+31.0% year-on-year) to the detriment of demand deposits (-8.8% year-on-year). The system's NPL ratio deteriorated slightly to 3.39% in February 2023 (19 basis points higher than in the same month in 2022).

Activity and results

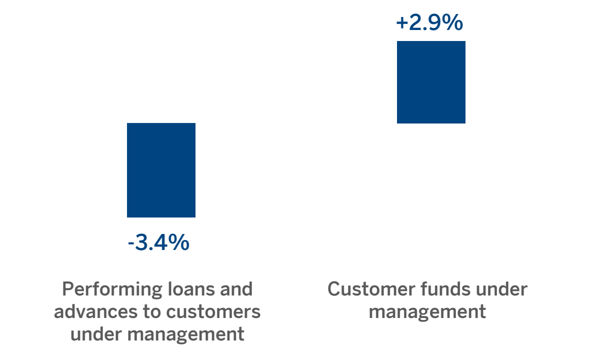
- The quarterly variation of lending activity stood at +1.4% at the end of March 2023, with a favorable evolution of consumer loans (+5.4%) and credit cards (+7.3%) and a flat performance in the business segment (+0.8%), mainly due to the difficulty of offsetting the amortizations of the program *Reactiva Peru*. Apart from the above, the NPL ratio increased slightly to 5.0%, affected by NPL entries of certain SMEs and other retail portfolios. For its part, the coverage ratio stood at 90%, in line with year-end 2022.
- Customers funds under management increased by 2.0% during the first quarter of 2023, due to the favorable performance of time deposits (+17.2%), supported by the rise in benchmark rates by the central bank, which offset lower balances in demand deposits (-4.0%) and the flat performance of off-balance sheet funds (+0.4%).
- BBVA Peru's net attributable profit stood at €57m at the end of March 2023, 8.2% higher than the figure achieved at the end of the same quarter of the previous year, driven by recurring income from the banking business, which grew by 28.4%, thanks to the favorable evolution of the net interest income, which benefited from the increase in the customer spread and the higher return on the securities portfolio, and, to a lesser extent, from fees and commissions, and NTI. On the lower part of the income statement, there was an increase in operating expenses (+23.8%) and in the level of provisions for impairment of financial assets (+186.3%), mainly due to higher requirements compared to the previous year in the recurring performance of the portfolio, together with a first quarter of 2022 that included some non-recurring positive elements.

Rest of Business

Highlights

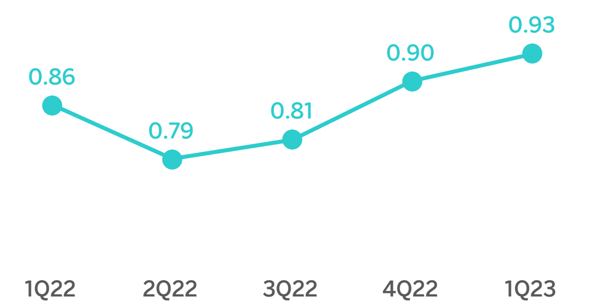
- **Growth in lending activity in the New York branch and in customer funds**
- **Recurring income dynamism**
- **NPL ratio and cost of risk remain at low levels**
- **Improved efficiency**

BUSINESS ACTIVITY [(1)] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

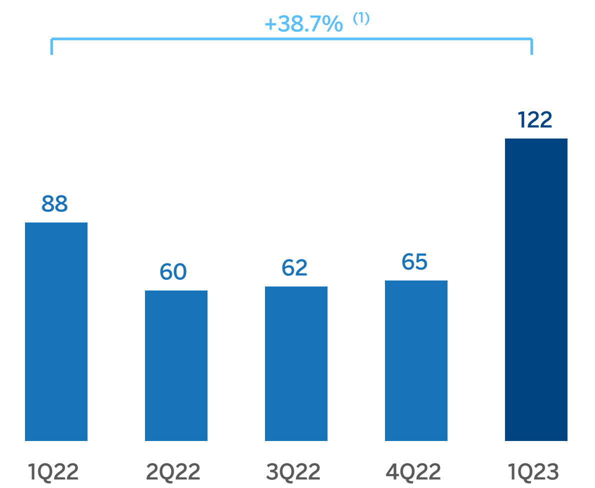


(1) Excluding repos.

NET INTEREST INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

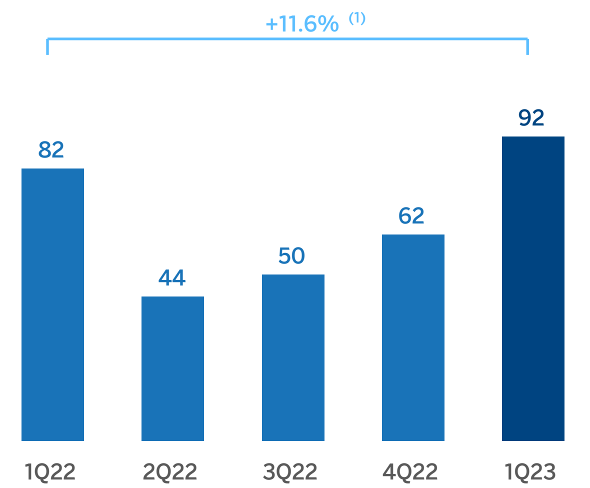


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +39.5%.

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



(1) At current exchange rates: +12.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q23	Δ %	Δ % (1)	1Q22
Net interest income	**113**	**50.3**	**49.4**	**75**
Net fees and commissions	69	22.3	20.3	56
Net trading income	77	12.9	12.1	68
Other operating income and expenses	1	(65.8)	(65.4)	3
Gross income	**260**	**28.5**	**27.3**	**202**
Operating expenses	(138)	20.1	18.7	(115)
Personnel expenses	*(70)*	*13.8*	*12.3*	*(61)*
Other administrative expenses	*(62)*	*28.9*	*27.7*	*(48)*
Depreciation	*(6)*	*12.6*	*11.6*	*(5)*
Operating income	**122**	**39.5**	**38.7**	**87**
Impairment on financial assets not measured at fair value through profit or loss	(18)	n.s.	n.s.	7
Provisions or reversal of provisions and other results	7	(24.5)	(26.0)	10
Profit (loss) before tax	**111**	**6.0**	**5.2**	**105**
Income tax	(19)	(16.7)	(17.2)	(23)
Profit (loss) for the period	**92**	**12.4**	**11.6**	**81**
Non-controlling interests	—	—	—	—
Net attributable profit (loss)	**92**	**12.4**	**11.6**	**81**

Balance sheets	31-03-23	Δ %	Δ % (1)	31-12-22
Cash, cash balances at central banks and other demand deposits	4,135	3.0	4.9	4,015
Financial assets designated at fair value	6,652	30.7	33.0	5,090
Of which: Loans and advances	*5,877*	*38.9*	*41.6*	*4,230*
Financial assets at amortized cost	39,167	(3.1)	(2.6)	40,425
Of which: Loans and advances to customers	*35,946*	*(3.8)*	*(3.3)*	*37,375*
Inter-area positions	—	—	—	—
Tangible assets	75	(4.3)	(4.0)	78
Other assets	379	10.3	11.6	343
Total assets/liabilities and equity	**50,407**	**0.9**	**1.7**	**49,952**
Financial liabilities held for trading and designated at fair value through profit or loss	5,942	35.1	37.8	4,397
Deposits from central banks and credit institutions	1,777	(35.3)	(34.7)	2,745
Deposits from customers	10,070	2.5	3.2	9,827
Debt certificates	1,453	(6.9)	(6.3)	1,561
Inter-area positions	25,945	(0.4)	0.2	26,060
Other liabilities	1,039	2.5	3.6	1,014
Regulatory capital allocated	4,182	(3.8)	(3.2)	4,348

Relevant business indicators	31-03-23	Δ %	Δ % (1)	31-12-22
Performing loans and advances to customers under management (2)	35,946	(4.0)	(3.4)	37,431
Non-performing loans	252	31.0	31.0	192
Customer deposits under management (2)	10,070	2.5	3.2	9,827
Off-balance sheet funds (3)	510	(1.9)	(1.9)	520
Risk-weighted assets	33,725	(3.8)	(3.2)	35,064
Efficiency ratio (%)	53.1			65.0
NPL ratio (%)	0.5			0.4
NPL coverage ratio (%)	101			131
Cost of risk (%)	0.21			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 March 2023 were:

- Lending activity (performing loans under management) registered a decrease (-3.4%), due to the performance of the branches in Asia and Europe which was offset by the favorable performance of the New York branch.
- Regarding credit risk indicators, the NPL ratio stood at 0.5%, higher than at the end of the previous year (+13 basis points), mainly due to the entry of a one-off customer.
- Customer funds under management grew by 2.9%, thanks to the growth in time deposits in the New York branch and in Asia, more than offsetting the decline in demand deposits and off-balance sheet funds.

Results

Rest of Business achieved a net attributable profit of €92m accumulated at the end of the first quarter of 2023, 11.6% higher than in the same period of the previous year, thanks to a favorable performance of recurring income and NTI, which offset the increase in expenses in a context of higher inflation and a normalization of loan-loss provisions.

The year-on-year evolution of the main lines of the area's income statement at the end of March 2023 was particularly noteworthy:

- The net interest income improved 49.4%, as a result of generalized interest rate hikes by central banks in the geographic areas included in this aggregate, as well as the higher volume of loans under management. Particularly noteworthy was the performance in Europe and the New York branch.
- Net fees and commissions increased (+20.3%), 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 12.1%, supported by the results of BBVA Securities and, to a lesser extent, Global Markets in Asia and Europe.
- Increase in operating expenses of 18.7%, mainly due to higher general and personnel expenses, mainly in Europe and the New York branch.
- The impairment on financial assets line closed March 2023 with a slight provision compared to the release of the previous year, mainly originated in Europe.
- The provisions or reversal of provisions line and other results decreased by 26.0% due to lower releases compared to the same period of the previous year.
- As a result, the area's cumulative net attributable profit between January and March 2023 was €92m (+11.6% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)			
Income statement	**1Q23**	**Δ %**	**1Q22**
Net interest income	**(60)**	**60.8**	**(37)**
Net fees and commissions	(4)	1.4	(4)
Net trading income	(258)	n.s.	(38)
Other operating income and expenses	11	n.s.	1
Gross income	**(311)**	**293.0**	**(79)**
Operating expenses	(205)	9.7	(187)
Personnel expenses	*(151)*	*15.9*	*(130)*
Other administrative expenses	*(4)*	*(54.1)*	*(9)*
Depreciation	*(50)*	*4.2*	*(48)*
Operating income	**(516)**	**93.8**	**(266)**
Impairment on financial assets not measured at fair value through profit or loss	0	(81.0)	1
Provisions or reversal of provisions and other results	(3)	n.s.	11
Profit (loss) before tax	**(519)**	**103.5**	**(255)**
Income tax	(9)	n.s.	46
Profit (loss) for the period	**(528)**	**152.8**	**(209)**
Non-controlling interests	(3)	(44.2)	(6)
Net attributable profit (loss)	**(531)**	**147.0**	**(215)**

Balance sheets	**31-03-23**	**Δ %**	**31-12-22**
Cash, cash balances at central banks and other demand deposits	566	(33.9)	856
Financial assets designated at fair value	2,427	1.5	2,390
Of which: Loans and advances	—	—	—
Financial assets at amortized cost	3,742	14.7	3,262
Of which: Loans and advances to customers	*402*	*44.7*	*278*
Inter-area positions	—	—	—
Tangible assets	1,754	(5.8)	1,863
Other assets	13,907	(3.1)	14,349
Total assets/liabilities and equity	**22,396**	**(1.4)**	**22,719**
Financial liabilities held for trading and designated at fair value through profit or loss	305	182.0	108
Deposits from central banks and credit institutions	698	2.4	682
Deposits from customers	186	(0.2)	187
Debt certificates	(2,057)	138.4	(863)
Inter-area positions	6,786	(14.8)	7,963
Other liabilities	5,918	47.5	4,011
Regulatory capital allocated	(40,913)	2.6	(39,887)
Total equity	51,471	1.9	50,517

Results

The Corporate Center recorded a net attributable profit of €-531m in the first quarter of the year 2023, compared with €-215m 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.

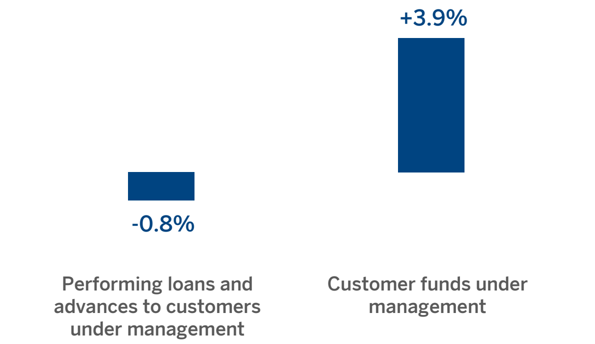
The Corporate Center's tax expense reflects the difference between the effective tax rate in the period for each business area and the Group's expected tax rate for the year as a whole. In this quarter the tax expense is negative basically due to the one-off positive effect of the tax change in Turkey.

Other information: Corporate & Investment Banking

Highlights

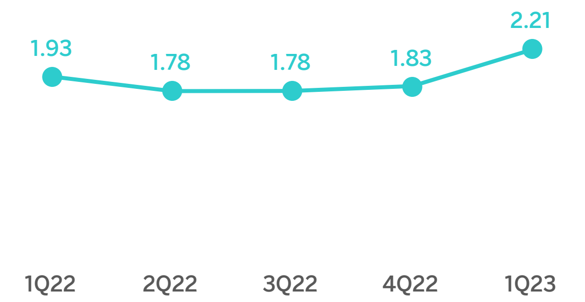
- **Slowdown in lending activity and growth in customer funds in the quarter**
- **Favorable evolution of recurrent revenues and excellent NTI performance**
- **Improvement in efficiency**
- **Outstanding performance of net attributable profit**

BUSINESS ACTIVITY [1] (VARIATION AT CONSTANT EXCHANGE RATES COMPARED TO 31-12-22)

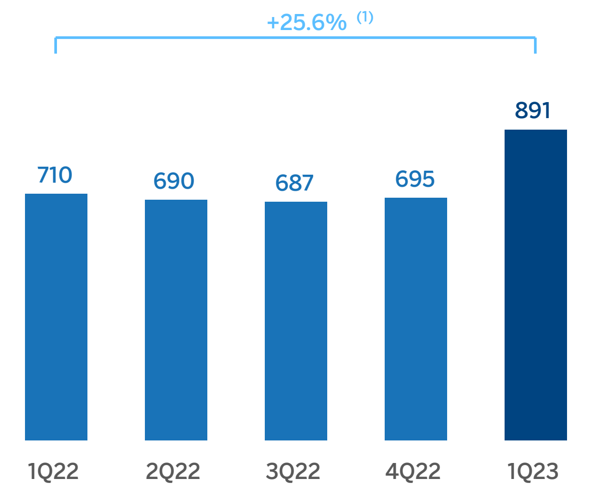


(1) Excluding repos.

GROSS INCOME / AVERAGE TOTAL ASSETS (PERCENTAGE AT CONSTANT EXCHANGE RATES)

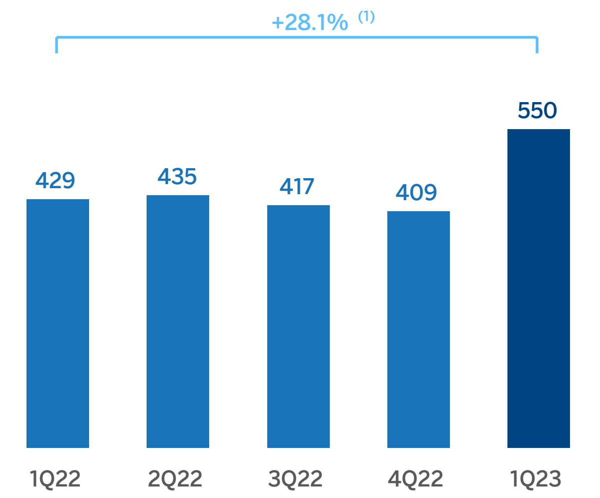


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +20.6%.

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



(1) At current exchange rates: +26.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q23 (1)	Δ %	Δ % (2)	1Q22
Net interest income	**516**	**11.6**	**13.2**	**463**
Net fees and commissions	276	39.3	40.4	198
Net trading income	431	25.3	34.4	344
Other operating income and expenses	(28)	250.0	245.8	(8)
Gross income	**1,195**	**19.9**	**23.8**	**997**
Operating expenses	(304)	17.9	19.0	(258)
Personnel expenses	*(143)*	*19.4*	*19.3*	*(120)*
Other administrative expenses	*(136)*	*20.4*	*23.5*	*(113)*
Depreciation	*(26)*	*—*	*(1.8)*	*(26)*
Operating income	**891**	**20.6**	**25.6**	**739**
Impairment on financial assets not measured at fair value through profit or loss	(44)	113.7	99.5	(20)
Provisions or reversal of provisions and other results	15	(19.7)	(19.8)	19
Profit (loss) before tax	**862**	**17.0**	**22.1**	**737**
Income tax	(239)	14.8	20.0	(208)
Profit (loss) for the period	**623**	**17.8**	**22.9**	**528**
Non-controlling interests	(73)	(21.8)	(5.9)	(94)
Net attributable profit (loss)	**550**	**26.4**	**28.1**	**435**

Balance sheets	31-03-23	Δ %	Δ % (2)	31-12-22
Cash, cash balances at central banks and other demand deposits	4,820	(12.7)	(11.9)	5,524
Financial assets designated at fair value	130,792	10.9	10.3	117,958
Of which: Loans and advances	*53,662*	*18.3*	*18.4*	*45,360*
Financial assets at amortized cost	90,375	1.0	0.7	89,440
Of which: Loans and advances to customers	*76,859*	*(0.5)*	*(0.8)*	*77,208*
Inter-area positions	—	—	—	—
Tangible assets	54	4.8	3.9	52
Other assets	1,919	122.6	157.8	862
Total assets/liabilities and equity	**227,960**	**6.6**	**6.2**	**213,836**
Financial liabilities held for trading and designated at fair value through profit or loss	105,432	6.7	6.2	98,790
Deposits from central banks and credit institutions	25,158	19.9	19.6	20,987
Deposits from customers	53,258	10.5	10.0	48,180
Debt certificates	5,831	10.2	9.5	5,292
Inter-area positions	21,979	(14.2)	(14.4)	25,609
Other liabilities	5,539	34.3	30.5	4,124
Regulatory capital allocated	10,762	(0.9)	0.6	10,855

Relevant business indicators	31-03-23	Δ %	Δ % (2)	31-12-22
Performing loans and advances to customers under management (3)	76,884	(0.5)	(0.8)	77,291
Non-performing loans	817	8.4	11.6	753
Customer deposits under management (3)	48,069	1.7	1.2	47,270
Off-balance sheet funds (4)	3,009	71.9	84.0	1,750
Efficiency ratio (%)	25.5			28.5

(1) For the translation of the income statement in those countries where hyperinflation accounting is applied, the punctual exchange rate as of March 31, 2023 is used.

(2) At constant exchange rates.

(3) Excluding repos.

(4) Includes mutual funds, customer portfolios and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. For the conversion of these figures in those countries in which accounting for hyperinflation is applied, the punctual exchange rate as of March 31, 2023 is used. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity in the first quarter of 2023 were:

- Lending activity (performing loans under management) slowed down by -0.8% since December 2022, as a result of the volume of new operations and renewals which did not offset the quarter's maturities, due to an environment of excess liquidity that makes it difficult to maintain the volumes of previous quarters, especially in transactional banking (Global Transactional Banking). Of note by products was the evolution of Investment Banking & Finance and by geographic areas, particularly the increase in the New York branch's operations.
- Customer funds continued to grow compared to December (+3.9%) but in a less dynamic way compared to previous quarters as a result of lower lending activity, maintaining the positive trend in price management.

Results

CIB generated a net attributable profit of €550m in the first quarter of 2023. These results, which do not include the application of hyperinflation accounting, represent an increase of 28.1% on a year-on-year basis, due to the growth in recurring income and NTI, which comfortably offset the higher expenses and provisions for impairment on financial assets, highlighting the contribution of Global Transactional Banking.

The contribution by business areas, excluding the Corporate Center, to CIB's accumulated net attributable profit at the end of March 2023 was as follows: 19% Spain, 26% Mexico, 25% Turkey, 16% South America and 15% Rest of Business.

The most relevant aspects of the year-on-year evolution in the income statement of this aggregate are summarized below:

- Net interest income was 13.2% higher than in the same period last year, due to the good year-on-year performance of the business, mainly in Global Transactional Banking and the positive trend in price management.
- Net fees and commissions grew by 40.4%, with positive evolution of all business lines, especially in Global Markets, benefited from an increase in operations in the primary debt market and Global Transactional Banking, particularly in Mexico due to commissions linked to collections, payments and liquidity. By geographical areas, all had a favorable evolution with double-digit growth. By geographic area, all had a favorable evolution with double-digit growth.
- Excellent NTI performance (+34.4%), mainly due to the performance of the Global Markets unit driven by the income generated by the volatility of the markets, as well as the intraday trading of currency positions. As for the geographical areas, all except Spain grew at double digits.
- Operating expenses increased by 19.0%, with higher personnel expenses, partly due to measures taken by the Group to compensate for the loss in purchasing power of the workforce. For its part, general expenses continued to be affected by the current inflationary environment. Despite the aforementioned, the efficiency ratio stood at 25.5%, which is an improvement over the same period last year.
- Higher level of provisions for impairment on financial assets, with higher loan loss-provisions in Turkey and, to a lesser extent, in Europe.

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 currency[9] 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.

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
(Millions of euros)	+	Annualized profit (loss) after tax	8,088	6,763	5,359
(Millions of euros)	-	Net impact arisen from the purchase of offices in Spain	—	(201)	—
	=	**Adjusted profit (loss) for the period**	**8,088**	**6,965**	**5,359**

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
(Millions of euros)	+	Annualized net attributable profit (loss)	7,488	6,358	5,373
(Millions of euros)	-	Net impact arisen from the purchase of offices in Spain	—	(201)	—
	=	**Adjusted net attributable profit (loss)**	**7,488**	**6,559**	**5,373**

[9] 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.

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:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income}}$$

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	=	Annualized net attributable profit (loss)	7,488	6,358	5,373
Denominator (Millions of euros)	+	Average shareholder's funds	64,967	61,517	59,257
	+	Average accumulated other comprehensive income	(16,811)	(16,055)	(14,746)
	=	**ROE**	**15.5 %**	**14.0 %**	**12.1 %**

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Adjusted net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income}}$$

Explanation of the formula: the numerator is the adjusted net attributable profit (loss) previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized. The denominator items "Average shareholders' funds" and "Average accumulated other comprehensive income" are the same and they are calculated in the same way as that explained for ROE.

Relevance of its use: this ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE			Jan.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	=	Annualized adjusted net attributable profit (loss)	7,488	6,559	5,373
Denominator (Millions of euros)	+	Average shareholder's funds	64,967	61,517	59,257
	+	Average accumulated other comprehensive income	(16,811)	(16,055)	(14,746)
	=	**Adjusted ROE**	**15.5 %**	**14.4 %**	**12.1 %**

ROTE

The ROTE (return on tangible equity) ratio measures the accounting return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income - Average intangible assets}}$$

Explanation of the formula: the numerator "Net attributable profit (loss)" and the items in the denominator "Average intangible assets" and "Average accumulated other comprehensive income" are the same items and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the Group's consolidated balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders funds in ROE.

Relevance of its use: this metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE

			Jan.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	=	Annualized net attributable profit (loss)	7,488	6,358	5,373
Denominator (Millions of euros)	+	Average shareholder's funds	64,967	61,517	59,257
	+	Average accumulated other comprehensive income	(16,811)	(16,055)	(14,746)
	-	Average intangible assets	2,170	2,119	2,036
	=	**ROTE**	**16.3 %**	**14.7 %**	**12.6 %**

Adjusted ROTE

The adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Adjusted net attributable profit (loss)}}{\text{Average shareholders' funds + Average accumulated other comprehensive income - Average intangible assets}}$$

Explanation of the formula: the numerator "Adjusted net attributable profit (loss)" is the same and is calculated in the same way as explained for adjusted ROE, and the items of the denominator "Average shareholders' funds" and " Average accumulated other comprehensive income" are the same and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the Group's consolidated balance sheet, which include goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in the ROE.

Relevance of its use: this metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE

			Jan.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	=	Annualized adjusted net attributable profit (loss)	7,488	6,559	5,373
Denominator (Millions of euros)	+	Average shareholder's funds	64,967	61,517	59,257
	+	Average accumulated other comprehensive income	(16,811)	(16,055)	(14,746)
	-	Average intangible assets	2,170	2,119	2,036
	=	**Adjusted ROTE**	**16.3 %**	**15.1 %**	**12.6 %**

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	Annualized profit (loss) for the period	8,088	6,763	5,359
Denominator (Millions of euros)	Average total assets	726,032	701,093	658,681
=	ROA	1.11 %	0.96 %	0.81 %

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	Annualized adjusted profit (loss) for the period	8,088	6,965	5,359
Denominator (Millions of euros)	Average total assets	726,032	701,093	658,681
=	Adjusted ROA	1.11 %	0.99 %	0.81 %

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	Annualized profit (loss) for the period	8,088	6,763	5,359
Denominator (Millions of euros)	Average RWA	342,154	327,998	310,971
=	RORWA	2.36 %	2.06 %	1.72 %

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	Annualized adjusted profit (loss) for the period	8,088	6,965	5,359
Denominator (Millions of euros)	Average RWA	342,154	327,998	310,971
=	**Adjusted RORWA**	**2.36 %**	**2.12 %**	**1.72 %**

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
(Millions of euros)	+	Net attributable profit (loss)	1,846	6,358	1,325
(Millions of euros)	-	Remuneration related to the Additional Tier 1 securities (CoCos)	74	313	80
Numerator (millions of euros)	=	Net attributable profit (loss) ex.CoCos remuneration	1,772	6,045	1,244
Denominator (millions)	+	Average number of shares issued	6,030	6,424	6,668
	-	Average treasury shares of the period	9	9	14
	-	Share buyback program (average)	2	225	207
	=	**Earning (loss) per share (euros)**	**0.29**	**0.98**	**0.19**

Additionally, for management purposes, earning (loss) per share is presented excluding non-recurring impacts. Specifically, during the period January-December 2022 the net impact from the purchase of offices in Spain in the second quarter of 2022 is excluded.

Adjusted earning (loss) per share			Jan.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
(Millions of euros)	+	Net attributable profit (loss) ex. CoCos remuneration	1,772	6,045	1,244
(Millions of euros)	-	Net impact arisen from the purchase of offices in Spain	—	(201)	—
Numerator (millions of euros)	=	Net Attributable profit (loss) ex.CoCos and non-recurring impacts	1,772	6,246	1,244
Denominator (millions)	+	Number of shares issued (1)	6,030	6,030	6,030
	-	Average treasury shares of the period (2)	11	9	14
	=	**Adjusted earning (loss) per share (euros)**	**0.29**	**1.04**	**0.21**

(1) In the period January-December 2022 and January-March 2022, the number of shares issued takes into account the total redemption of the first share buyback program.

(2) The period January-March 2023 includes 2 million shares corresponding to the average number of shares acquired through March 31, 2023, in execution of the share buyback program announced on February 1, 2023.

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	+	Operating expenses	3,016	10,701	2,406
Denominator (Millions of euros)	+	Gross income	6,958	24,743	5,395
	=	**Efficiency ratio**	**43.3 %**	**43.2 %**	**44.6 %**

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: the remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: this ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield				
		31-03-23	31-12-22	31-03-22
Numerator (Euros)	∑ Dividends	0.35	0.35	0.14
Denominator (Euros)	Closing price	6.57	5.63	5.21
	= **Dividend yield**	**5.3 %**	**6.2 %**	**2.7 %**

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds + Accumulated other comprehensive income}}{\text{Number of shares outstanding - Treasury shares}}$$

Explanation of the formula: the figures for both "Shareholders' funds" and "Accumulated other comprehensive income" are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares) and excluding the shares corresponding to share buyback programs. In addition, the denominator is also adjusted to include the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: it shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share					
			31-03-23	31-12-22	31-03-22
Numerator (Millions of euros)	+	Shareholders' funds	63,986	64,535	57,446
	+	Accumulated other comprehensive income	(16,195)	(17,642)	(14,109)
Denominator (Millions of shares)	+	Number of shares issued	6,030	6,030	6,668
	-	Treasury shares	10	5	17
	-	Share buyback program (1)	65	—	435
	=	**Book value per share (euros / share)**	**8.02**	**7.78**	**6.97**

(1) At the close of March 2023, 65 million shares acquired under the second share buyback program in 2023 are included. At the close of March 2022, 290 million shares acquired from the start of the first share buyback program to March 31, 2022 and the estimated number of shares pending from buyback as of March 31, 2022 of the first segment of the second tranche of share buyback (€1 billion), in process at the end of that period, are included.

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds + Accumulated other comprehensive income - Intangible assets}}{\text{Number of shares outstanding - Treasury shares}}$$

Explanation of the formula: the figures for "Shareholders' funds", "Accumulated other comprehensive income" and "Intangible assets" are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "Dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares) and excluding the shares corresponding to share buyback programs. In addition, the denominator is also adjusted to include the result of the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: it shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			31-03-23	31-12-22	31-03-22
Numerator (Millions of euros)	+	Shareholders' funds	63,986	64,535	57,446
	+	Accumulated other comprehensive income	(16,195)	(17,642)	(14,109)
	-	Intangible assets	2,209	2,156	2,056
Denominator (Millions of shares)	+	Number of shares issued	6,030	6,030	6,668
	-	Treasury shares	10	5	17
	-	Share buyback program (1)	65	—	435
	=	**Tangible book value per share (euros / share)**	**7.65**	**7.43**	**6.64**

(1) At the close of March 2023, 65 million shares acquired under the second share buyback program in 2023 are included. At the close of March 2022, 290 million shares acquired from the start of the first share buyback program to March 31, 2022 and the estimated number of shares pending from buyback as of March 31, 2022 of the first segment of the second tranche of share buyback (€1 billion), in process at the end of that period, are included.

Non-performing loan (NPL) ratio

It is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance. It is calculated as follows:

$$\frac{\text{Non-performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: non-performing loans and the credit risk balance are gross, meaning they are not adjusted by associated accounting provisions.

Non-performing loans are calculated as the sum of “loans and advances at amortized cost” and the “contingent risk” in stage 3[10] 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.

[10] 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.

Non-Performing Loans (NPLs) ratio		31-03-23	31-12-22	31-03-22
Numerator (Millions of euros)	NPLs	14,141	14,463	15,612
Denominator (Millions of euros)	Credit Risk	428,423	423,669	394,861
=	**Non-Performing Loans (NPLs) ratio**	**3.3 %**	**3.4 %**	**4.0 %**

General note: credit risk figures for 2022 periods have been restated according to IFRS17 - Insurance contracts.

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via allowances. It is calculated as follows:

$$\frac{\text{Provisions}}{\text{Non-performing loans}}$$

Explanation of the formula: it is calculated as "Provisions" from stage 1 + stage 2 + stage 3, divided by non-performing loans, formed by "credit risk" from stage 3.

This indicator is shown, as others, at a business area level.

Relevance of its use: this is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via value adjustments.

NPL coverage ratio		31-03-23	31-12-22	31-03-22
Numerator (Millions of euros)	Provisions	11,661	11,764	11,851
Denominator (Millions of euros)	NPLs	14,141	14,463	15,612
=	**NPL coverage ratio**	**82 %**	**81 %**	**76 %**

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.-Mar.2023	Jan.-Dec.2022	Jan.-Mar.2022
Numerator (Millions of euros)	Annualized loan-loss provisions	3,864	3,252	2,742
Denominator (Millions of euros)	Average loans to customers (gross)	369,340	356,064	336,194
=	**Cost of risk**	**1.05 %**	**0.91 %**	**0.82 %**

General note: average loans to customers (gross) figures for 2022 periods have been restated according to IFRS17 - Insurance contracts.